

**Some pages of this thesis may have been removed for copyright restrictions.**

If you have discovered material in AURA which is unlawful e.g. breaches copyright, (either yours or that of a third party) or any other law, including but not limited to those relating to patent, trademark, confidentiality, data protection, obscenity, defamation, libel, then please read our [Takedown Policy](#) and [contact the service](#) immediately

**Consumer Evaluations of Brand Extensions in Emerging  
Economies: Evidences from China**

By

Fu, Guoqun

Doctor of Philosophy

ASTON UNIVERSITY

August 1999

This copy of the thesis has been supplied on condition that any one who consults it is understood to recognise that its copyright rests with its author and that no quotation from the thesis and not information derived from it may be published without proper acknowledgement.

**Aston University**  
**Consumer Evaluations of Brand Extensions in Emerging**  
**Economies: Evidences from China**

by  
Fu Guoqun  
Doctor of Philosophy

1999

**Summary**

This project explored how consumers in emerging economies evaluate brand extension by using China as a case. Two separate but related studies were conducted, and university students were used as respondents in both the studies.

Study one or replication study tested Aaker and Keller's brand extension model in China. Assuming similar methods to Aaker and Keller's, six well-recognised brands were chosen as parent brand and each was extended to three product categories. Totally, 469 respondents completed the survey questionnaire. As each was to evaluate six extensions, this made the cases 2814. The data was analysed using Optimal Least Square regression approach and "residual centred" approach respectively. The result confirmed most of the findings observed in developed countries. Specifically, consumer's attitude towards the extension is primarily driven by the brand affect, the fit between the two product categories, the difficulty of making the extension and moderated via the interactions between the brand affect and the fit variables.

Study two refined and extended Aaker and Keller's model by adding new variables and making methodological adjustments. The same stimuli and data analysis techniques as those in the replication were employed. 252 respondents participated in the survey and each evaluated six extensions, making cases 1512. In addition to re-verifying the findings of the replication and providing cross validation to these findings, the extended study found that the image consistency between the parent brand and the extension, the competition intensity of the extension product market were important in determining the success of the extension. Further, consumer differed in evaluating durable extensions and non-durable extensions.

The thesis detailed the two studies above, and discussed the findings and their implications by relating to branding literature, to the general situation of the emerging economies as well as the reality of China. It also presented the limitations of the research and the future research directions.

**Key words:** Brand Extension, Consumer, Replication, Emerging Economies, China

**Dedicated to my wife Chen Lan and daughter Fu Tianqi**

## Acknowledgements

This project would not have finalised without the understanding and encouragement of my colleagues at Wuhan University Business School. Sincere thanks should go to Professor Gan Biquan, the dean of the school, for her sustained motivation and support; Professor Tan Liwen, Professor Zhao Xibin and Professor Jing Fengjie, for their help in undertaking some of my teaching and administrative responsibilities and making my yearly study travel to UK possible.

I am particularly grateful to Professor John Saunders, my supervisor. John has been the source of innovative ideas and challenging questions that help me in deepening my understanding of issues and sharpening my thinking. His constructive comments, insightful suggestions and criticisms have improved the quality of the research project. I also would like to extend my gratitude to all the members of the marketing group at Aston University Business School, for their kind assistance and help one way or another at every stage of this project.

Finally, I am indebted to my wife Chen Lan, who has had to take the full responsibility of the household routines while I was at the writing-up leave in UK. Her consistent support and selfless love gave me the energy, stamina, and inspiration to write this thesis.

## **TABLE OF CONTENTS**

<b>SUMMARY</b>	2
<b>ACKNOWLEDGEMENTS</b>	4
<b>CONTENTS</b>	5
<b>LIST OF TABLES</b>	11
<b>LIST OF FIGURES</b>	16

### **CHAPTER 1 INTRODUCTION**

1.1	Introduction	17
1.2	Background of the Research	17
1.3	Objectives of the Research	19
1.4	China as an Emerging Economy	20
1.5	The Research Hypothesis	22
1.6	Organisation of the Thesis	24
1.7	Conclusions	26

### **CHAPTER 2 LITERATURE REVIEW**

2.1	Introduction	27
2.2	Brand and Branding	27
	2.2.1 Definitions of Brand	27
	2.2.2 Added Value	30
	2.2.3 Brand Classifications	31
	2.2.4 Importance of Brands and Branding	34
	2.2.5 Summary of Brands and Branding	37
2.3	Brand Equity	39

2.3.1 Brand Equity Defined	39
2.3.2 Measuring Brand Equity	40
2.3.3 Why Brand Equity Research Popular?	47
2.3.4 Summary of Brand Equity	49
2.4 Brand Extension: Its Determinants	50
2.4.1 Introduction	50
2.4.2 Terminology	52
2.4.3 Perceived Quality of the Parent Brand	53
2.4.4 Fit or Similarity between the Original and Extension Product Categories	55
2.4.5 Brand Associations	58
2.4.6 Other Factors	60
2.4.7 Summary on Brand Extension	62
2.5 Conclusions	62

### **CHAPTER 3 BRANDING IN EMERGING ECONOMIES: CHINA'S EXPERIENCES**

3.1 Introduction	67
3.2 Brief Branding History in China	68
3.3 Branding Environment: Brand Competition	70
3.3.1 General Panorama	71
3.3.2 Toothpaste Market	74
3.4 Branding Environment: Chinese Culture	75
3.4.1 holistic and Intuitive Thinking	76
3.4.2 Attaching Much Importance to Personal Reputation	78
3.4.3 Group Interests above Individual Interests and Desires	80
3.5 The Use of Corporate Name and Brand Extensions	82
3.6 Opportunities and Challenges	84
3.6.1 Opportunities	84

3.6.2 Problems and Obstacles	86
3.7 Conclusions	91

## **CHAPTER 4 RESEARCH HYPOTHESES DEVELOPMENT**

4.1 Introduction	103
4.2 Basic Brand Extension Model and Extended Model	103
4.2.1 Aaker and Keller's Basic Brand Extension Model	103
4.2.2 A Proposed Brand Extension Model (Extended Model)	108
4.3 hypotheses Based on the Basic and the Extended Models	109
4.3.1 Consumer's Attitude towards the Parent Brand	111
4.3.2 Fit between the Original and Extension Product	113
Categories	
4.3.3 The Congruity between the Associations of the	
Parent Brand and of the Extension	116
4.3.4 Chinese Culture Effect	118
4.3.5 The Competition Intensity of the Extension Product	
Market	119
4.3.6 The Characteristics of Extension Product	121
4.4 Conclusions	124

## **CHAPTER 5 METHODOLOGY**

5.1 Introduction	126
5.2 Research Method in Replication Study	126
5.2.1 Cross-cultural Replication Study and the 'Etic' Approach	126
5.2.2 Stimuli	127
5.2.3 Measures	128
5.2.4 Questionnaire Design and Data Gathering	129
5.2.5 Validity and Reliability	131



5.2.6 Data Analysis Process	134
5.3 Research Method in the Extended Study	136
5.3.1 Measures	136
5.3.2 Stimuli, Questionnaire Design and Data Gathering	141
5.3.3 Data Analysis Process	143
5.4 Conclusions	146

## CHAPTER 6 RESULTS

6.1 Introduction	155
6.2 The Results of the Replication Study	156
6.2.1 Perceived Quality of the Parent Brand	156
6.2.2 Fit between the Original Product Category and the Extension Product Category	157
6.2.3 The Interaction between Quality and Fit	158
6.2.4 Difficulty of Making the Brand Extension	159
6.3 Results of the Extended Study	159
6.3.1 Consumer's Attitude towards the Parent Brand	159
6.3.2 Fit between the Original and the Extension Product Category	160
6.3.3 The Congruity between the Associations of the Parent Brand and of the Extension	161
6.3.4 Chinese Culture Effect	162
6.3.5 The Competition Intensity of the Extension Product Market	164
6.3.6 The Characteristics of the Extension Product	165
6.4 Conclusions	167

## **CHAPTER 7 DISCUSSIONS**

7.1	Introduction	194
7.2	Consumer's Preference or Attitude towards the Parent Brand	194
7.3	Fit, Image and the Interactions between Fit, Image and Quality	199
7.3.1	Fit between the Original and Extension Product Categories	199
7.3.2	The Image of the Parent Brand and Its Consistency with the Extension	201
7.3.3	The Interactions between Fit, Image and Consumer's Attitude towards the Parent Brand	203
7.4	The Competition Intensity of the Extension Product	204
7.5	Characteristics of the extension Product	206
7.5.1	The Difficulty of Making the Extension	206
7.5.2	The Types of Extension Product: Durable vs. Non-durable	208
7.6	Cultural and Methodological Issues	209
7.6.1	Cultural Effect	209
7.6.2	Methodological Issues	211
7.7	Conclusions	215

## **CHAPTER 8 CONCLUSIONS**

8.1	Introductions	217
8.2	Major Conclusions	218
8.3	Managerial Implications	221
8.4	Limitations	224
8.5	Future Research Directions	227

<b>BIBLIOGRAPHY</b>	231
<b>APPENDIX 1</b> Questionnaires Used in the Replication Study (English Version)	250
<b>APPENDIX 2</b> Measurement Pre-test Questionnaire (English Version)	265
<b>APPENDIX 3</b> Questionnaires Used in the Extended Study (English Version)	266
<b>APPENDIX 4</b> Questionnaires Used in the Replication Study (Chinese Version)	287
<b>APPENDIX 5</b> Measurement Pre-test Questionnaires (Chinese Version)	299
<b>APPENDIX 6</b> Questionnaires Used in the Extended Study (Chinese Version)	301

## LIST OF TABLES

Table 2.1	Brand Equity Definitions	65
Table 3.1	Advertising Expenditure and Trademarking Data of China	92
Table 3.2	Brand Number and the Best Regarded Brands in Selected Categories (non-durable) in 1996 Survey	93
Table 3.3	Brand Number and the Best Regarded Brands in Selected Categories (durable) in 1996 Survey	94
Table 3.4	The Market Share of Top Ten Brands in some Non-durable Product Categories in 1996	95
Table 3.5	The Market Share of Top Ten Brands in Some Durable Product Categories in 1996	96
Table 3.6	Brand Number and the Best Regarded Brands in Selected Categories in 1997 Survey	97
Table 3.7	Top Brands and Their Market Share in Toothpaste Market	98
Table 3.8	The Most Recognised Brands in China in 1997	99
Table 3.9	Major China Brands and Their Producers in Toothpaste, Cigarette and Man's Shirt Categories	100

Table 3.10	Major China Brands and Their Producers in TV, Air Conditioner and Refrigerator Categories	101
Table 3.11	Selected Brand Extensions in Drink and Electric Appliances Industries in 90's	112
Table 4.1	Variables in Aaker and Keller's Brand Extension Model	106
Table 4.2	Summary of the Findings of Aaker and Keller's Basic Model: Beta Coefficients	107
Table 5.1	Brands and Extension Products Used in Aaker and Keller's Study and China Replication Study	147
Table 5.2	The Average Measure Scores both in replication and Extended Studies	148
Table 5.3	Parent Brands and the Corresponding Extensions in Each questionnaire of both the Replication and Extended Study	149
Table 5.4	The Variables Used in the Models of the Extended Study	150
Table 5.5	Description of the Variables and the Measures in the Extended Model	152
Table 5.6	The Residual Equations for Three Interactions in the Full-effect Extended Model	153

Table 5.7	The Residual Equations for Five Interactions in the Full-effect Extended Model	154
Table 5.8	The Residual Equations for Five Interactions in the Full-effect Model of Non-durable	154
Table 5.9	The Residual Equations for Five Interactions in the Full-effect Model of Durable	154
Table 6.1	Means of the Measures in China Replication Study (1994)	170
Table 6.2	Means of the Measures in Aaker and Keller's Study (1990)	171
Table 6.3	Correlation Matrix of Variables in China Replication Study (1994)	172
Table 6.4	Correlation Matrix of Variables in US Study (1990)	172
Table 6.5	Correlation Matrix of Variables in New Zealand Study (1993)	173
Table 6.6	Correlation Matrix of Variables in UK Study (1996)	173
Table 6.7	The Results of Main Effect Regression Models of the Attitude towards Extension	174
Table 6.8	The Results of Full Effect Regression Models (using OLS approach)	176

Table 6.9	The Results of Full Effect Regression Models (using 'residual centred' approach)	178
Table 6.10	Means of the Measures in the Extended Study	180
Table 6.11	Correlation Matrix of Variables in the Extended Study	181
Table 6.12	The Results of Main Effect Model in the Extended Study	181
Table 6.13	The Results of Full Effect Model in the Extended Study	182
Table 6.14	The Measure Standard Deviations in US Study and China Studies	183
Table 6.15	The Results of One Tail F-test for the Variability of the Measure Standard Deviations between Aaker and Keller's US Study and China Studies	183
Table 6.16	Correlation Matrix of Variables in the Regression Model for Non-durable Extensions	184
Table 6.17	Correlation Matrix of Variables in the Regression Model for Durable Extensions	184
Table 6.18	Results of Main Effect Model for Non-durable Extensions	185

Table 6.19	Results of Full Effect Model for Non-durable Extensions	186
Table 6.20	Results of Main effect Model for Durable Extensions	187
Table 6.21	Results of Full Effect Model for Durable Extensions	188
Table 6.22	Summary of the Hypotheses Test Results in the Replication Study	189
Table 6.23	Summary of the Hypotheses Test Results in the Extended Study	190



## LIST OF FIGURES

Figure 4.1	Aaker and Keller's Basic Brand Extension Model	105
Figure 4.2	Extended Brand Extension Model	110

# **Chapter 1 The Introduction**

## **1.1 Introduction**

Since the late 1980's, brand extension has attracted much academic attention and a great deal has been achieved in this area. However, almost all the studies on this topic so far are conducted in the developed countries where brands are well established. This raises important as well as interesting issues: are the findings and conclusions found in these studies applicable or generalizable to the emerging economies or developing countries (in this thesis, emerging economy and developing country is used interchangeably)? Alternatively, does the established world need adapting to fit developing economies?

This project approaches this issue by using China as a case. The following sections of this chapter will briefly present background of the project, the reason of choosing China as a case, as well as the research objectives, hypotheses to be tested and the organisation of the thesis.

## **1.2 Background of the Research**

The increasing importance of branding, added with the concept of "brand equity" initially proposed by US advertising practitioners has brought about much academic interest in branding since the early 1980's. So far, however, the area where the most has been achieved is brand extensions, and the academic achievements on other aspects of branding have been modest (Barwise, 1993). Actually the study of brand extension has dominated the research domain of branding. During the 25 years from 1969 to 1994, two thirds of branding literature are under the title of brand extension (Laforet, 1995). The growing interest in brand extension research could be contributed to the wide spread use of brand extension strategy (Smith and Park, 1992).

Several rationales have been offered for the popularity of brand extension practice. Firstly, it is considered that brand extension could greatly reduce the introductory cost of the new product mainly by utilising the recognition and reputation of the parent brand. Secondly, brand extension could facilitate the acceptance of the extension product and increases the success possibility of new product introduction. It is estimated that 30-35% of new products fails (Booz, Assen, and Hamilton, 1982; Crawford, 1979). According to Bragg (1986), the odds are even more pessimistic (only two out of ten new items are successful). Facing with such enormous risks, it is natural and logical for firms to opt to using brand extension as an option for growth. Thirdly, brand extension could leverage its advantages in protection against private labels (Farquhar, 1990). The steady growth of own labels increases challenges to manufacture brands. It is reported that own labels accounts for more than 20% in some European supermarket, in particular in France and Switzerland (Laforet, 1995). Some retailing giants like A&P (18000 stores) even used the threat of producing their own brands to keep manufacturers in line (Low and Fullerton, 1994). Under the pressures from retailing industry, it is a natural reaction for manufacturers to use the established brand as an effective weapon to win the "Battle of the Brands."

In 1990, Aaker and Keller published their findings about the main determinants of consumers' attitudes toward brand extensions. Three years latter, Sunde and Brodie (1993) replicated Aaker and Keller's study in New Zealand. Although congruities emerged in the two studies, great discrepancies appeared. This brought calls to refine and replicate their work, especially in a global perspective (Barwise, 1993; Aaker and Keller, 1993).

In response to the calls, some authors (Nijssen and Hartman, 1994; Bottomley and Doyle, 1996) replicated Aaker and Keller's study in different nations. Though some discrepancies remain to be resolved, great agreement emerged. However, these studies are all conducted in developed countries, and whether the findings emerged are applicable or not to emerging economies is yet to be tested.

There are many potential factors that may lead consumers in emerging economies to evaluate brands and brand extension differently than those in developed countries. Firstly, consumer's average income in emerging economies is very low, especially in terms of the standards of modern Western society. For example, in India and China, the GDP per capita is only US\$ 406 and 513 respectively in 1995 while this is over US\$ 20, 000 in most developed countries (Antonides and Raaij, 1998). This not only means that the majority of consumers in emerging economies can not afford to luxury goods and high premium brands, but also means that consumers in these economies may be more price sensitive, function oriented and less brand conscious. Secondly, related to the many low quality products in markets and lack of the strong trademark protection mechanism, consumers in emerging economies may tend to be more cautious to firm's exploitation of its brand reputation. Thirdly, less experienced with modern consumption and modern products may make consumers in emerging economies more dependent on universal signals such as brand reputation, corporation credibility, country of origin when they evaluate and choose products. Therefore, evaluation patterns among consumers in developing countries are likely to be more similar than that when consumers in developing and developed economies are compared.

### **1.3 Objectives of the Research**

This study aims to achieve the following objectives:

1. To identify the findings from current brand extension literature that can be generalised to emerging economies; and to investigate the reasons why developed and developing countries could differ.
2. To form a broad brand-extension-determination model, by synthesising the ideas and findings appeared in current brand extension literature and by considering the background of developing countries. Specifically, to explore which factors affect

consumer's brand evaluation in developing countries and to investigate in what extent consumer's evaluation is affected

There may be many ways to approach these objectives. One way is to build a brand extension model basing on the common characteristics of emerging economies and then make comparison between the results from the two different types of economies. The virtue of this is that the model building may attach much importance of the common aspects of emerging economies, and therefor at least from a theoretical perspective it is more likely to be generalised among the countries of this type. The weakness is that, it may sacrifice the effect of the shared characteristics of different types of economy. In fact, in the modern world, consumer homogeneity across different economies and different cultures may be a more dominant phenomenon than the heterogeneity. Another approach is simply to test the brand extension model proposed in current literature in one or more developing countries, and to see in what extent the model could be applicable and how it could be refined and extended in these chosen countries. The limitation of this approach is that the differences or discrepancies observed may be not fully arisen from the factors shared by most developing countries. However, if the focus is on how similar consumers are across different cultures and different economic types when they evaluate brand extension, this concern seems diminishing. In this project, the latter approach is chosen.

#### **1.4 China as an Emerging Economy**

From the marketer's point of view, market is consisted of a number of consumers, their purchasing ability and their purchasing desires. The biggest constraining factor that discourages the consumption in developing countries is that most consumers lack purchasing abilities. However, in the long run this will change; and in many developing countries especially in those enjoying rapid economic growth, it is being changed. The goods and services that used to be consumed by consumers in developed countries are nowadays more and more purchased by their counterparts in developing countries. Coca-Cola, Nestle, Marlboro, Tide, Sony, Panasonic and many other big brands are no longer an emblem of Western consumers, and they are

becoming favourite choices of many people in developing countries. Perhaps, that is why in recent years, China, India, Brazil and other big emerging markets have attracted so much Western investors' eye. It seems that having a stake in these potential markets become a very important part of globalisation strategies for many Western companies.

In the process of establishing and exploiting a global brand, it is obvious that Western firms need and should put greater efforts and weights on the emerging markets. As the environment in developing countries is so different, those techniques and practices so popular in Western society may be not as effective when they are applied without any adjustment in developing countries. In this sense, studying and researching emerging markets are of special importance for successful global branding.

It is apparent that there is much common ground for so-called emerging economies. For example, they share the characteristics of low GNP per capita; lack of capital; less developed infrastructures and industries; a large proportion rural population; few or non-existent of globally influential brands. Because of or related to these, on average, consumers in emerging economies earn relatively low income and are often have little or no experience with modern consumption.

In spite of these shared characteristics, enormous differences exist among emerging economies in terms of size, population, natural resources, culture, and political and social systems. Even in terms of economic development, there are also great gaps. For example, The GNP per capita for the richest developing country is more than twenty times of that of the poorest. In contrast, if we look at the developed countries such as US, UK, New Zealand or Japan, though differences also exist in one way or another, similarities appear to be more dominant. From this perspective, it seems that the consumer heterogeneity among developing countries is much greater than that among developed economies. Following this line of thought, we think, if not

impossible, at least it is very difficult to appropriately choose a country as the typical representative of the developing world.

In this study, China is chosen as a case of an emerging economy. There are three reasons. First, China is the biggest developing country as well as the biggest emerging market in the world, the great market potential itself may justify the value of exploring how consumers in this country evaluate the brand and brand extension. Second, although China has its distinctiveness, it also has many attributes commonly shared by most developing countries such as low income, low quality domestic products, and less experienced with modern consumption on the part of consumers. These commonly shared attributes may make Chinese consumers one way or another similar to consumers in other developing countries, and thus, the evidences observed are relevant to and could shed light on consumers' attitude formation towards brand extension in other developing countries. Third, the unique Chinese culture may imply the less importance of the cultural dimension if the research findings found in developed countries could be observed in China. And further, it could be reasonably expected that these replicated findings may be more likely to appear in other emerging economies where culture is more similar to Christian culture.

## **1.5 The Research Hypotheses**

Based on previous research and conceptual backgrounds, several hypotheses have been formulated. The detailed construction of these hypotheses will be presented in Chapter 4.

### **Hypothesis 1**

In developing countries, higher quality perceptions toward the original brand are associated with more favourable attitudes toward the extension.

## **Hypothesis 2**

In developing countries, the fit or similarity between the original product category and the extension product category will be positively related to the evaluation of the extension.

## **Hypothesis 3**

In developing countries, the transfer of a brand's perceived quality is enhanced when the two product classes in some way fit together; when the fit is weak, the transfer is inhibited.

## **Hypothesis 4**

In developing countries, the congruity between the overall image of the parent brand and the associations attached to the extension will be positively related to the evaluation of the extension.

## **Hypothesis 5**

In developing countries, the transfer of a brand's perceived quality is enhanced when the overall image of the parent brand and the associations attached to the extension is in congruity.

## **Hypothesis 6**

In the context of Chinese culture, as a whole, consumers tend to evaluate brand and brand extension more conformably than in other cultural contexts.



### **Hypothesis 7**

In the context of Chinese culture, the interaction effects between the perceived quality of the parent brand and the fit variables are more likely to occur than in other cultural context.

### **Hypothesis 8**

In developing countries, the evaluation of brand extension is closely linked to consumer's perception to the competition intensity of the extension product market.

### **Hypothesis 9**

In developing countries, the relationship between the difficulty of making the extension and the attitude towards the extension is positive.

### **Hypothesis 10**

In developing countries, consumers differ in evaluating durable extensions and non-durable extensions.

## **1.6 Organisation of the Thesis**

There are eight chapters in the thesis. Chapter 1 introduces the projects, presents briefly the objectives of the project and the main hypotheses to be tested, and outlines the organisation of the thesis.

Chapter 2 reviews branding literature generally and brand extension literature particularly, to provide a basic understanding of branding research and its advances, and to build a literature background for the project.

Chapter 3 takes a brief look at the branding environment and branding practices in developing countries by using China as a case. In this chapter, focus is put on the general competition panorama, cultural environment and branding practices in China. This chapter attempts to provide some basic clues to consumers' perceptions towards branding and brand extension in developing economies generally and in China particularly.

Chapter 4 discusses the construction of the hypotheses to be tested in the study. The hypotheses are discussed in six dimensions: consumer's attitude towards the parent brand; the fit between the two product categories; the congruity between the associations of the parent brand and of the extension; the cultural effect; the competition intensity of the extension product market; the characteristics of the extension product.

Chapter 5 presents the methodology employed. To test the hypotheses formulated in Chapter 4, two separate studies are conducted. The first study is to test Aaker and Keller's model in China while the study two is to refine and extend the model in developing countries. The chapter details the methodologies of these two studies, including research design, measurement of the variables in the model, procedure of data gathering, and analysis techniques etc.

Chapter 6 reported the research results of both the replication study and the extended study while Chapter 7 discusses the research findings.

Chapter 8 summarises the findings in the study, discusses the managerial implications of these findings and the limitations of the research, and identifies some directions for future research.

## **1.7 Conclusions**

This chapter briefly introduces the research project. It outlines the background of the research; presents the research objectives, the significance of studying branding issues in emerging markets as well as the rational of choosing China as a case of an emerging economy; it also exhibits the research hypotheses under test, and the organisation of the thesis.

## **Chapter 2 Literature Review**

### **2.1 Introduction**

During the past decade, the area of brand extension has received considerable academic attention (Aaker and Keller, 1990; Hartman, Price and Duncan, 1990; Park, Milberg and Lawson, 1991; Smith and Park, 1992; Sunde and Brodie, 1993; Loken and John, 1993; Rangaswamy et al., 1993; Dacin and Smith, 1994; Park et al., 1996; John et al., 1998). To date, researchers have mainly tried to detect the factors that determine consumers' attitudes towards an extension (Nijssen et al., 1995). A number of factors have been identified, but the empirical findings are somewhat conflicting and therefor further research is still needed (Bottomley and Doyle, 1996).

This Chapter is organised into three main sections. The first two sections examine branding and brand equity literature generally while the third section focus on the brand extension literature especially on the literature related to the consumers evaluation of brand extension. The first two sections are served as a general picture of branding and brand equity research. The definitions of brand and brand equity, the classifications of brand, the importance of brand, the brand equity measuring as well as the popularity of brand equity research are examined and discussed. The last section, namely the third section examines the terminology of brand extension, the main determinants of brand extensions.

### **2.2 Brand and Branding**

#### **2.2.1 Definitions of Brand**

Traditionally, a brand is seen primarily as an identifier (Styles and Ambler, 1995). Kotler (1984) defined brand as a name, term, sign, symbol, or design or a

combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors.

Similarly, Bennett (1988) defined brand as a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers, and it may identify one item, a family of items or all items of that seller.

Aaker(1991) regarded brand as "a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors," and thus it "signals to the customer the source of the product, protects both the customer and producer from competitors who would attempt to provide products that appear to be identical."

Other authors expressed the similar views. For example, Shipley et al. (1988) wrote "A brand can be a name, a symbol, a design or any combination that distinguishes a firm's product from its other products or from those of competitors." Doyle (1994) thought that A brand is "... a specific name, symbol, design or, more usually some combination of these, which is used to distinguish a particular seller' product." And "a successful brand (S) can be seen as a combination of an effective product (P), distinctive identity (D) and added values (AV)."

Murphy (1990) argued that the use of brands by producers has developed considerably over the centuries and especially in the last century. But the function of a brand as distinguishing the goods of one producer from those of another and of thus allowing consumers freedom of choice has remained unaltered. By identifying their products they (producers) have provided purchasers with a means of recognising and specifying them should they wish to repurchase or recommend the products to others.

In sum, these authors hold a common belief that the essence of a brand was its identifying function and its differentiating potential, thus, it could be viewed as an

addition to a product or as a component of “integral product” like other elements as quality, features, packaging (Kotler, 1988).

Another approach to defining a brand is the holistic view (Ambler and Stylers, 1997). Under this approach, the focus is on the brand itself, which encompasses much more than just the product. The brand is considered to be the sum of all elements of the marketing mix: product is just one element, alongside price, promotion and distribution. The holistic approach defines a brand as “the promise of the bundles of attributes that someone buys and that provides satisfaction... The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible” (Ambler, 1992). Or, a brand is simply considered to be a collection of perceptions in the mind of the consumer (Feldwick, 1991).

Consistent with this line of thought, Farquhar (1989) defines a brand as a name, symbol, design, trade mark or some combination which enhances the value of a product beyond its functional purposes. The essence of brand is that it provides functional benefits plus added values that customers value enough to buy (Philip, 1986).

While the identifier-oriented approach views brand as addition to product, or as an element of the augmented product (Kotler, 1988), the holistic approach embraces more. The main difference between these two approaches is that the latter focuses more on the value or added value associated with a brand. In the current environment dominated by brand and line extensions, however, the holistic view seems more relevant (Ambler and Styles, 1997).

In a recent article, de Chernatony and Riley (1998) identified twelve themes which they thought were an accurate categorisation of the broad range of definitions of the “brand” in the literature. These themes are: 1) Brand as legal instrument; 2) Brand as logo; 3) brand as a company; 4) brand as a shorthand; 5) brand as a risk reducer; 6) brand as an identity system; 7) brand as an image in consumers’ minds; 8) brand as a

value system; 9) brand as a personality; 10) brand as a relationship; 11) brand as adding value; 12) brand as evolving entity. Based on the themes identified in the literature and focused interviews with 20 leading edge brand consultants, they developed a brand concept. According to this concept, brand is defined as a multi-dimensional construct whereby managers augment products and services with values and this facilitates the process by which consumers confidently recognise and appreciate these values. Obviously, they also embrace a holistic view in constructing their brand definition.

### **2.2.2 Added Value**

Many authors related branding to added value. As mentioned in the above section, brand was viewed as enhancing the value of a product (Farquhar, 1989) or providing functional benefits plus added value (Philip, 1986). de Chernatony and McDonald (1992) contended that the difference between a brand and a commodity can be summed up in the phrase 'added value'. This suggests that there is synonymy between brands and added value. Wolf (1993) views premium pricing of brands as a result of added value. Doyle (1994) defines a successful brand as a combination of an effective product, distinctive identity and added values. Thus, added value at least is one of key concepts in branding literature.

The concept of added value is rooted in accounting and economics literature and in its general sense it refers to the difference between sales income and cost bought in goods and services (Wood, 1995). In marketing or specifically in branding context, there were variations in the use of this term. Wolf (1993) asserted that "added values can be tangible or intangible and can relate to the core product itself, to essential related services, or to the image attached to the product, the suppliers or its users." Doyle (1994) refers it to "the subjective beliefs of consumers" or something that meets certain of consumers' psychological needs.

Based on Levitt's integrated product model and extensive literature analysis, Wood (1996) offered a definition of added value: "a sum of money which represents the transformation of a product's characteristics as a result of an organisation's activities." According to this definition, all goods or services, branded or otherwise have an element of added value. Therefore, branding as organisation activity is only one of many processes which create added value, though it might be the most important one or "is of the major importance."

From the brief literature review made above, it seems that, although the term of added value is widely used by marketing researchers, it is not precisely defined. Some relate it mainly to the intangible benefits of the product or services while others associate it with both the tangible and intangible aspects. Further, some view it as a result of many organisation activities and marketing or branding is only one of its resources, while others strongly attach it to marketing and branding or even equate it to brands. Thus, if attempting to defining brand based on the added value that branding brings about, it seems necessary to put more efforts to conceptualise and clarify the construct of added value, particularly in marketing or branding context.

### **2.2.3 Brand Classifications**

Brands could be categorised from different angles. Kotler (1988) identifies four types of brand manufacturers face to select when they brand their products: Individual brand names; a blanket family name for all products; separate family names for all products; company trade name combined with individual product names.

Dibb et al. (1994) divide brands into three categories: manufacturer brands, own label brands and generic brands. Manufacturer brands are initiated by producers and ensure that producers are identified at the point of purchase. Own label brands are those initiated and owned by resellers--wholesalers or retailers. Generic brands are those that indicates only the product category (such as aluminium foil) and does not include the company name or other identifying terms.



In line with others (e.g. Goodyear 1991; Park et al. 1986), de Chernatony, from an evolutionary perspective, identified eight stages in brand development: differentiation stage, sign of ownership stage, functional stage, service stage, legal stage, shorthand stage, risk reduction stage, symbolic stage. By identifying which stage their brands stand, marketers can better appreciate their brands and determine appropriate marketing strategies (de Chernatony, 1997). Further, brands can also be categorised according to the extent to which they satisfy functional and representational needs. Based on previous studies (e.g. Solomon and Buchanan 1992; Ford 1990; Sheth et al. 1991), de Chernatony (1993) proposed that the eight stages mentioned above can be compressed and considered in terms of the two dimensions of functionality and representationality. Functionality relates to a brand's ability to satisfy consumer's utilitarian performance needs in a given situation, through physical and service attributes. Representationality describes a brand's capabilities to express consumer's feeling about their personality, roles and emotions in a given situation to themselves, or to others, as well as enabling them to better understand other brand users. By constructing a functionality-representationality matrix, he convincingly shows that the position of each competing brand in a particular market can be pinpointed in the matrix. With this tool, marketers can better categorise brands and identify more appropriate actions when necessary. A minority of brands have a notable third dimension, i.e. centrality value which is related to the views and opinions expressed by a brand about the world, and a good example is Benetton which is dedicated to making people aware of social problems (Stobart, 1994). Recognising this, de Chernatony (1997), in a recent article admitted that for these brands with notable centrality value, the functionality-representationality is not as appropriate.

Based on the market research into leading brands in the USA, the UK and Europe, DMB&B (1994) identified four categories of brands. These four categories are defined by the type of relationship the brand leader has established with its consumer:

- 1) "power" brands, inspiring rational trust through excellence in product and service

performance; 2) “identity brands”, facilitating character recognition, through associations with the brand’s personality; 3) “explorer brands”, enabling consumers personally to develop through challenging them and suggesting possibilities; 4) “icon brands” are the myths that consumers dream about sharing. The strength of DMB & B’s categorisation is that it enables the competitive nature of brands in a market to be identified and it enables a firm to understand better its portfolio of brands.

Young and Rubicam (1994) also provide a useful way to categorise brands. They argue that brands evolve through four stages, i.e. differentiation to relevance then esteem followed by familiarity. Y & R’s empirical analysis indicated that the strength of a brand, its brand stature, is a combination of its esteem and familiarity scores. Its growth potential, or brand vitality, can be assessed from its differentiation and relevance scores. Once a brand’s characteristics have been computed on these two dimensions, it can then be plotted on a two-dimensional matrix. By examining where brands lie on this matrix, some of their strategic characteristics can be appreciated, along with guidelines for future actions.

de Chernatony (1997) suggests that Young and Rubicam’s categorisation can be particularly helpful when brand planning. According to where the brands are positioned, it not only gives insight about the budgets needed, for example by considering whether a maintenance or growth strategy is envisaged, but also helps appreciate which aspects of the brand, e.g. differentiation, relevance, etc., need attention over the short and long term. By plotting competitors’ brands and tracking their movements, it allows strategists to appreciate whether competitors are growing stronger or weaker and thus helps formulate both a defensive and an attacking strategy. Furthermore, when considering extending the brand into new markets, it provides a succinct analysis of the competitive structure of that market and shows potentially attractive gaps.

## 2.2.4 Importance of Brands and Branding

As discussed in the introduction chapter, some authors (e.g. Smith and Park, 1992; Kotler, 1988) have analysed the importance of brands and branding either from environment changing perspective or from seller's benefit perspective. In this section, more views and augmentations on the subject will be brought.

Park et al.(1996) noted that a brand name is a basic element of a firm's market offering that aids consumers' understanding of the offering's characteristics. It serves as an encoding and retrieval cue for brand-related information (Cohen and Basu 1987). It signals the often intangible product properties that must otherwise be learned through experience or taken on faith (Erdem, 1993). It also serves as a powerful heuristic cue for evaluation and choice decisions (Park and Lessig, 1981). The brand name thus can have a significant strategic impact on long-term brand performance, going far beyond its role as a supplement of marketing mix (Park, Jaworsk, and MacInnis, 1986).

Murphy (1992) implicitly indicates a variety of roles of brands. First, brand has an identification function, and this enables consumers to chose and recommend to the others the products or services that they like on one hand, and enables brand owner to signify the consistent quality of its products and differentiate them from those of competitor's on the other. Second, similar to but slightly different from the first, brand can act as a credible guarantee for the product or service it bears, and thus allowing the consumer clearly to identify and specify products that genuinely offer 'added value'. Third, brand allows manufacturer to develop intangible values that consumers require and ensures that the balance between the manufacturer and the retailer does not rest entirely with the latter. In Wells' words, branding makes manufacturer "reach over the shoulder of the retailer straight to the consumer.'

Feldwick (1991) argued that, at its simplest, a brand is a recognisable and trustworthy badge of origin, and also a promise of performance. According to this brand

definition, he viewed brand as a guarantee of authenticity and replicability. Due to the fact that a brand offers a strong promise of both authenticity and replicability, consumers would have confidence in their decision-making, or else, consumer decision-making would become a lottery and, probably, a nightmare. In many cases, a strong brand may provide a time-lag between the product becoming not competitive, and consumer rejection of it. In the early 1970s Cadbury's Smash users remained loyal to the brand, despite the launch of a technically superior product from Wondermash. This provided a breathing space for Cadbury's in which to match the new formulation. General Motors also had this kind of experiences. For perhaps two decades it had by many objective measures, inferior cars. Logically its share of the US market should have fallen to nearly zero--yet it remained in the 33% domestically market share. The fact is that customers do not like change (Aaker, 1991). Of course, this time-lag is not unlimited: it is unlikely that brand with relatively inferior product would have gone on for ever; sooner or later, failure to deliver renders a brand meaningless. Further, the promise of brand is more than an aid to decision-making and providing time-lag benefits for firms, it actually creates value in its own right, by enhancing the experience of owning or using the product. In sum, a brand is fundamentally a promise, rendered credible by law and by experience. At one level this simply makes the decision process easier; at a higher level it can actually add to consumers' beneficial experience of a product, thus creating a value for which people may be prepared to pay (Feldwick, 1991).

Doyle (1989) suggested that brand can facilitate and make more effective the consumers' choice process. Individual consumers face countless products and messages competing for attention every day, to make life bearable and to simplify decision-making process, he or she has to rely on habit -- buy brands that have proved satisfactory in the past. Consumer's habit rule is not just based upon experience of use, it can also be based upon long-standing perceptions. Thus, brand image or brand personality plays a very important role in generating consumer confidence and creating the purchasing environment.

Aaker (1991) argued that brand signals to the customer the source of the product, and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical. In modern society, differentiation is one of the main tasks for a firm to achieve. Branding helps reduce the primacy of price upon the purchase decision, and accentuate the bases of differentiation. Moreover, as the competition for the customer's mind intensifies and the cost of building brand differentiation increases, the value of established brand is much more appreciated.

Gardner and Levy (1955) argued in their seminal paper that a brand name is more than just a 'symbol employed to differentiate' and saw it as 'a complex symbol that represents a variety of ideas and attributes'. This complexity is seen as akin to a personality, an analogy repeated by King (1970) who suggested that products as mundane as toilet tissue could be made into brands with their own personalities.

Philip (1986) sees value to the customer/consumer of the brand because it represents a 'guarantee of homogeneity and quality'; but he argues that purchasers receive more than just these functional benefits as they also obtain something less tangible for their money. These intangible benefits are difficult to define, but Ryan (1994) suggests that one such is the feeling that the customer is 'doing the right thing' by buying the product particularly in the eyes of one's peers.

Some authors (Blackett, 1989; de Chernatony and McWilliam, 1989; McWilliam, 1989; Murphy, 1990; Stobart, 1994) implicitly or explicitly see 'quality guarantee' and differentiation as two very important functions of brand. These two attributes, differentiation and quality, that a successful brand embraces, offer benefits to both supplier and consumer. Through differentiation the supplier is able to claim a unique offer that the consumer would need to consider other than price. Through the inference of quality, the supplier is able to reassure the purchaser about his or her decision to buy. The consumer rewarded the provider by buying more often and/ or by paying a premium and is rewarded in turn by the psychic benefits the brand uniquely symbolises, particularly in front of his or her peers.

Some other authors (for example, Swait et al., 1993) related brand to economics of information literature and reputation mechanism. When there is informational asymmetry (e.g., quality is known by producers, but imperfectly observed by consumers), reputation may serve as the mechanism that induces firms positioned as “high quality firms” to actually deliver high quality products. “Brand name investments contribute to the reputation of the brand name. Because consumers value this reputation, they are willing to pay higher prices for such brands, hence brand names have value.”

### **2.2.5 Summary of Brands and Branding**

Brand could be defined either from an identifier-oriented perspective or from a holistic perspective. Whilst the former perspective views brand as differential identity and addition to product, the latter embraces more and especially puts more emphasis on the added value associated with a brand.

Although an increasing number of researchers see the limitations of the traditional identifier-oriented definition and attempt to develop more flexible and well balanced brand concept, so far they got only a limited success. In the majority of contemporary marketing textbooks and branding literature, abounded are still the traditional brand definitions or their variations. This may partly reflect a fact that the first type brand concept is not without any value even in today’s market environment.

While it should fully acknowledge the significance and worth of the attempt to develop brand definitions that well reflects the inputs and outputs, as much the benefits to the marketer as to the user, it also should recognise the basic function of a brand is its identifying or differential potential. Without this potential or ability, added value is baseless. Imagine, if Coca-Cola becomes a generic like Aspirin or Thermos, what will happen? Will it be as valuable as it is today? Hence, added value, consumer perceptions or associations, and all other kind of benefits related to a

brand are closely based on the ground that the brand is unique in some aspects and it is able to identify or differentiate.

Brands could be classified from many perspectives. Different classifications may reflect different brand concepts on one hand, and a different focus or emphasis on branding on the other. For example, Kotler's (1988) classification is based on viewing brand as differential instrument and puts much emphasis on how firms differentiate their products more effectively and efficiently. On the other hand, Young and Rubicam (1994) and de Chernatony (1997), based on the holistic perspective of brand concept, view brand as a complex system evolving from one stage to another. By analysing brand's characteristics of each stage and identifying which stage a brand stands on, marketers can better understand the brand and make more relevant guidelines for future actions. These classifications are all useful in the context they aim to apply. Thus, different brand classifications or categorisations should not be viewed as exclusive but supplementary.

From whichever angle or perspective, brand provides a variety of benefits both to its owner and to consumers. For the owner, it serves both as a differential and a signalling instrument. Based on these, the owner or firm could communicate with its customers more easily and effectively, could develop brand reputation and personality and establish long-term relationship with the target market. And this in turn guarantees the larger market share and/ or price premium than otherwise without using brand. For consumers, brand is a recognisable and trustworthy badge of origin, and a promise of performance (Feldwick, 1991). It serves as an encoding and retrieval cue for brand-related information as well as a powerful heuristic cue for evaluation and choice decisions (Cohen and Basue, 1987; Park et al., 1996), and therefor facilitate consumers to make more effective choice decision. Furthermore, brand is a risk reducing instrument, a symbolic system, and provides consumer with functional as well as psychic benefits. All these combined, makes brand valuable for both firms and consumers.

## **2.3 Brand Equity**

### **2.3.1 Brand Equity Defined**

The term 'brand equity' was first used widely by US advertising practitioners in the early 1980s (Barwise, 1993). So far, a number of definitions of brand equity have been proposed. In general and broad sense, brand equity refers to the value that a brand develops over time for owner (Assael, 1993; Kotler and Armstrong, 1997). Brand equity is the outcome of long-term investments designed to build a sustainable differential advantage relative to competitors (Doyle, 1990), or could be viewed as the contribution of branding to physical product (Kamakura and Russel, 1993).

Specifically, Shocker and Weitz (1988) refers it to "a utility not explained by measured attributes" and "differentiated, clear image that goes beyond simple product preference," or "the incremental cash flow resulting from the product with brand name versus that which would result without brand name."

Bonner and Nelson (1985) define brand equity as "the goodwill adhering to a brand name." Farquhar (1989) and Kamakura and Russell (1990) interpret brand equity as the value added to a product by virtue of its brand name. Keller (1993) defines brand equity as "the differential effect that brand knowledge has on consumer response to the marketing of that brand." Park and Srinivasan (1994) regard brand equity as the incremental preference endowed by the brand to the product as perceived by an individual consumer. Francois and MacLachlan (1996) view it as the sum of the intangible values that are associated with a product identified by a brand name or trademark.

Aaker (1991) views brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and /or to that firm's customers." The assets that is the basis of brand equity can be grouped into five categories: 1) brand loyalty; (2) name awareness; (3) perceived quality; (4) brand associations in addition to perceived



quality; (5) other proprietary brand assets: patents, trade marks, channel relationships, etc.

Although there are differences among the definitions of brand equity cited above, some agreement still exists. At least, brand equity can be defined from the perspective of the firm owning the brand, or from the perspective of the customer purchasing and using it. From firm's perspective, brand equity is the incremental cash flow or other financial return generated by the use of the brand name on a given product (Shocker and Weitz, 1988; Kamakura and Russell, 1993; Birkin, 1994; Francois and MacLachlan, 1996). From the consumers' side, brand equity is the value added by the brand to the product, or the utility or preferences not explained by the objectively measured product attributes (e.g. Aaker 1991; Kamakura and Russell 1993; Keller 1993; Leuthesser 1988; Simon and Sullivan 1993; Srinivasan 1979; Srivastava and Shocker 1991; Park and Srinivasan 1994).

### **2.3.2 Measuring Brand Equity**

Developing methods of measuring brand equity is very important. It is not only for the purpose of brand trading, but also for a better understanding and management of brand equity. A variety of methods or approaches have been proposed (Aaker, 1991; Murphy, 1992; Allen, 1990; Kamakura and Russel, 1993; Park and Srinivasan, 1994; Swait, Erdem, Louviere and Dubelaar, 1993; Haigh, 1996), and they could be divided into two broad categories: the financial analysis oriented type and consumer oriented type. While the former tends to be more concerned with obtaining a financial value for the brand in question from the owner's perspective, the latter seems more concerned with the different dimensions of brand strength and with tracking consumers' perceptions of the brand.

### 2.3.2.1 Financial Oriented Approaches

The main purpose under this perspective has been on the valuation of brands as intangible assets to be included in the firm's published financial statements (e.g. Barwise et al., 1990; Allen, 1990; Guilding and Pike, 1994; Haigh, 1996).

Among many approaches of this type, most discussed and widely cited are cost-based method, market value-based method, royalty relief method, premium pricing method, Discounted cash flow method, and the Interbrand method (Aaker, 1991; Haigh, 1996; Murphy, 1992; Wood, 1995). The following section will briefly review these methods.

***Cost Based Approach*** This approach attempts to consider the costs associated with a brand's establishment. As in many cases brand strength or brand equity is not completely determined by the cost, and for most company it is difficult or even impossible to keep track of brand building cost, thus, based on historical cost is not appropriate for brand valuation. In practice, replacement cost seems more relevant and acceptable. However, except for valuation of newly introduced brand or low equity brand, this approach seems inappropriate. In addition to the possible asymmetry of brand value and building cost, this approach fails to give any picture of the brand's profitability or its potential.

***Market Value Based Approach*** The typical form of this approach is based upon stock price movements, which was suggested by finance theory and implemented by Simon and Sullivan (1990). The basic idea is to use stock price as a basis to evaluate the value of the brand equities of a firm. This approach is valid and useful for a firm with a dominant brand. However, if a firm owns several equally successful brands, the approach might not be appropriate. Similarly to the cost-based approach, it fails to provide the information on the weakness and strengths of the brand.

**Premium Pricing Approach** The approach sees brand equity as asset and has the potential to provide a brand with a price premiums. In other words, consumer will be willing to pay a higher price for high brand equity name. Price premiums can be obtained either through simply observing the price levels in the market or through consumer research. Once a price premium is obtained, the value of the brand name in a given year would be that price differential multiplied by the unit sales volume. Discounting these cash flows over a reasonable time horizon would provide one approach to valuing the brand.

**Royalty Relief Approach** This approach is based on the theoretical assumption that an operating company owns no brands and needs to license them from a non-operating brand owner. If a brand has to be licensed from a third party brand owner, a royalty rate on turnover will be charged for the privilege of using the brand. By owning the brand such royalties are avoided. Ownership of the intangible assets therefore 'relieves' the company from paying a license fee (the royalty rate) hence the term 'royalty relief'. The royalty relief method involves estimating likely future sales and then applying an appropriate royalty rate to arrive at the income attributable to brand royalties in future years.

**Discounted Cash Flow (DCF) Approach** This approach values a brand based on its earning capacity, i.e. the discounted value of future brand earnings. Theoretically, this approach is the best measure of brand equity (Aaker, 1991); and in reality it is also regarded as the most appropriate way to value a brand (Haigh, 1996). However, some issues remain to be addressed. For example, can brand's contribution on the firm's future earnings be separated from the contribution of the firm's tangible and other intangible assets? Does brand's past performance have any predicated ability to brand's future earnings, especially in today's turbulent competition environment? And how to obtain more objective and verifying estimation of brand's future earning?

***Interbrand's Approach*** In essence, Interbrand's approach is a variant of DCF approach. The basic principle that an established brand can be valued by assessing what earnings it brings to its owner is the same as the DCF we described above. The uniqueness is the method it used of determining the earnings multiple. It involves determining, through consultation with marketing management, the brand's strength on seven key factors: leadership, stability, market, internationality, trend, support and protection. In valuation process, the brand in question is scored for each of these factors and the resultant total, or "brand strength score", is then converted to a multiple with a so called "S" curve. As Blackett (1991) put it, "so, having determined the correct multiple for the brand using the brand strength score, we apply this to the net brand earnings figure to give the brand's value: Earnings multiple x brand profits = Brand value" (refer to Wood, 1995; Guilding and Pike, 1994). Although Interbrand has been boasting the merits of this approach world-wide, it has been criticised on the ground that there are other more important attributes of brand strength, that the total weighting between attributes is arbitrary and that the percentage score for each brand is far too subjective (Aaker 1996; Wood, 1995).

#### **2.3.2.2 Consumer Oriented Approaches**

Brand, through its signalling, differentiating and symbolic functions, provides consumers with benefits or values unexplained by objective product attributes. These benefits or values associated with brand name could be reflected by consumers' preference, purchase intent and associations to the particular brand (Nagle, 1979; Farquhar, 1989; Aaker, 1991; Doyle, 1994; Krishnan, 1996). Based on this, a variety of approaches have been offered.

Aaker (1991) outlined a brand valuation method based on customer preference. The idea is to consider the impact of the brand name upon the customer evaluation of the brand as measured by preference, attitude, or intent to purchase. That is, what is the effect of brand name on customer's evaluation. The issue is how these evaluation measures related to market share or brand loyalty, however he failed to directly

address this problem. In his more recent book 'Building Strong Brands', Aaker (1996) detailed a somewhat different approach to brand equity evaluation which he calls the Brand Equity Ten. He recommended to measure brand equity through scoring brand against the following: 1) price premium; 2) satisfaction; 3) perceived quality; 4) leadership/popularity; 5) perceived value; 6) brand personality; 7) organisational associations; 8) brand awareness; 9) market share; 10) market price and distribution coverage. Although it also looks at financial analysis oriented measures, Aaker's approach focuses principally on consumer-oriented measures of brand strength. He is not prescriptive about the weightings or scores which should be applied to each attribute but recommends that brand management should tailor their general approach to their own specific circumstances.

Louviere and Johnson (1988) proposed and applied a brand-anchored conjoint analysis approach to measure brand equity. Their approach is directly based on the concept that brand equity is the consumer utility not explained by measured attributes. In a conjoint analysis context, consumers rate combinations of product features and brand names. The revealed preferences are then decomposed into the utility associated with the product features and the value attached to the brand names. This approach estimates brand equity at the individual level instead of the aggregate or segment level, it enables brand managers to quantify both the mean and standard deviation of brand equity for any segment of interest. In addition, by starting with individual-level, it avoids difficult aggregation problems encountered in estimating the market share premium and price premium attributable to brand equity. However, as Park and Srinivasan (1994) stated, a difficulty with this method is that the conjoint card-sort task can lead to unrealistic product profiles. Another important concern with it is that it does not provide an understanding of the sources of brand equity.

Srinivasan (1979) also proposed a method for estimating brand equity based on conjoint analysis. However, his method is a little bit different from Louviere and Johnson's. Srinivasan defines brand equity as the component of overall preference not explained by objectively measured attributes. He estimates brand equity by

comparing actual choice behaviour with those implied by utilities obtained through conjoint analysis with product attributes, but no brand names. His method avoids the problem of unrealistic product profiles mentioned previously with the conjoint analysis, but has a limitation of providing, at best, segment-level estimates of brand equity. Further, it also has somewhat limited managerial usefulness in terms of understanding the sources of brand equity and suggesting directions for enhancing it.

Based on the ideas of information economics and market signalling theory, Swait et al. (1993) offered an approach to measuring brand equity. They first estimate the total utility to individual consumer of a particular brand. The total utility is assumed to be a function of brand name, product attributes, brand image and consumer heterogeneity effects. Once the estimation of the total utility attributed by a given consumer to each brand is available, then, "we can compare these utilities to the utilities attributed to the same set of brands in a hypothetical referential market in which all brands have the same utility to the consumer, i.e. a market in which there is no brand differentiation." In this way, a so-called construct EP (Equalisation Price) can be obtained which is considered to be a measure of brand equity. An advantage of their approach is that it obtains brand equity from consumer choices to hypothetical choice sets rather than by relying on survey-based subjective measures. An additional advantage of the method is that price sensitivity is allowed to vary across brands. However, this method also has limitations. Their use of perceived attribute values in the utility function means that the component of brand equity arising from favourably biased attribute perceptions is inappropriately excluded from their intangible component. In addition, they also make the unsupported assumption that attribute weights are homogenous across consumers (ref. Park and Srinivasan, 1994).

Kamakura and Russell (1993) use the segmentwise logit model on single-source scanner panel data to estimate brand equity. They first decompose the total utility of a brand into the components intrinsic to the brand and the components that can be explained by situation factors such as short-term advertising and price promotion.

The first component is defined as brand valuation (BV) and it is further decomposed into tangible and intangible parts. While the tangible part is considered to be directly attributed to the physical features of the brand, the intangible part connected with perceptual distortions and other brand associations. Using regression equation defined then, they could estimate segment-level brand value and its components. The advantage of this method is that the researcher obtains brand equities from real consumer choices in the market place rather than by relying on survey-based subjective methods. The limitation is that it offers, at best, segment-level estimates of brand equity. Furthermore, using pure panel data, it may be difficult or even impossible to capture some in-depth dimensions of brand equity such as consumers' perceptions and associations to the brand.

Park and Srinivasan (1994) developed a survey-based method for measuring a brand's equity at the individual consumer level. Based on the brand equity definition by Farquhar (1989), they operationalize brand equity as the difference between an individual consumer's overall brand preference and his or her multi-attributed preference based on objectively measured attribute levels. By using a survey procedure, they obtain each individual's overall brand preference and his or her multiattributed brand preference based on objectively measured attribute levels. After scaling both these two preference measures to cents or dollars and subtracting one from another, they then derive a measure of brand equity in term of cents. Further, they decompose brand equity into attribute-based and nonattribute-based components. The attribute-based component is considered to be related to the differences between subjectively perceived attribute levels and objectively measured attribute levels while the nonattribute-based component is attributed to the brand associations unrelated to product attributes. The advantage of this method is that it provides individual-level measures of brand equity and an indication of the sources of brand equity in terms of its attribute and nonattribute-based components, thus enables brand managers to assess the impacts of brand equity on brand's performances. However, it also has limitations. These include measurement errors, the difficulty of obtaining "objectively" measured attribute levels etc.

### 2.3.3 Why Is Brand Equity Research Popular?

That brands are financial assets, thus top management should direct more efforts to brand development is not new (Barwise, 1993; Park and Srinivasan, 1994). For example, Dean (1966) proposed that advertising is brand investment, and it needs to be categorised in the capital budget. Then, why is it until 1980's that brand equity gained renewed interests both from the academicians and practitioners?

Firstly, it is related closely to the changing marketing environment in Western society, and the accordingly changed behaviour patterns of the firms in this environment. During the last part of 1970s and early 1980s, firms faced a discouraging economic environment. Take US as example, In the early 1980's its net annual GNP growth was low while the inflation rate was (Liu Diyuan and Tan Chentai, 1990). In this so-called economic stagnation period, many firms were pessimistic about the future and lacked confidence in long term investment. Consequently, more and more firms directed their attentions to short term profits, and even sacrificed long term interests for current returns. From mid of 1980s on, most Western economies experienced a steady economic growth but as a whole the average growth rate in terms of GDP per head was still low. For example, in US this has averaged 1.6% during the past decade from 1989 to 1998, exactly the same as in Japan, and less than in Germany (The Economist, 10 April 1999, pp.89-91). Further, the whole 1990s see no improvement in overcoming the "short-termism" and insufficient investment in marketing, and in some countries such as US, the situation is even worse. In the late 1970s, There was a 40/60 relationship between expenditures in promotions and advertising. Ten years late, in the late 1980s, the ratio is 60/40 and still changing (Aaker, 1991). In some sense, the concept of brand equity is a logical response from the academic circles, to the short-termism.

Secondly, the bidding with high offering prices for other firms' established brands in the 80s' corporate merging circle, give new impetus to brand equity research. In 1988, Nestle paid six times the book value of their Rowntree acquisition to acquire



brand names such as Kit Kat, Quality Street, Smarties, Rolo and Yorkie (Laforet, 1995). In 1987, Grand Metropolitan Plc, bought Hublein and Almaden drinks businesses for over £700 million. The intangible assets including brand equity, of those businesses amounted to nearly £500 million (Allen, 1990). In the environment in which successful brands are main pursued objects in acquisitions, it is not strange for both academicians and practitioners to be enthusiastic with this research subject.

Thirdly, the escalation of new product development costs coupled with the high rate of new product failures has led firms to extend brand names to a degree unseen in previous decades (Park and Srinivasan, 1994), and this inspires research on brand extension. In practice, many firms succeed in extending the established brand name to other products, however, there are also many that fail to achieve the expansion target, or even damage the reputation of the original brands (Aaker, 1991; Murphy, 1992; Rangaswamy et al., 1993). Questions arise as to what is the main determinants for successful brand extension, where is, if any, the boundary of the extension; and so forth. As capitalising on the equity through brand extension has become “the guiding strategy of product planners” (Tauber, 1988; Loken and John, 1993), research enthusiasm for brand extensions and the related issues could be sustained.

Other explanations are also presented. Park and Srinivasan (1994) stated that, after years of look-alike advertising and overcopying with me-too brands, brand managers realise that they now live in a world of product parity. The ensuing price competition through short-term price promotions reduces the profitability of brands, leading manufacturers to examine ways to enhance loyalty toward their brands. In addition, faced with the increasing power of retailers, manufacturers of consumer products realise that having the strongest brands is vital to strengthening their presence with retailers.

Allen (1990) provides an alternative explanation for why executives are interested in valuing brands and including them in the balance sheet. He noted, “the traditional accounting treatment, i.e. writing off goodwill against reserves, has the effect of

reducing the shareholders. This is because the size of permissible borrowings or acquisitions is denominated-in articles of classification tests-as a ratio of net assets. Predictably, the boards of directors of acquisitive companies have looked for ways of increasing their power denominator. Augmenting net assets by the inclusion of an amount for brands appeared, at one stage, to offer a simple way of achieving this.” Practitioner interest in brand equity led to research by academics to try and pin down more precisely how it could be defined, measured, managed, and exploited (Barwise, 1993).

### **2.3.4 Summary of Brand Equity**

Differences have emerged as to what brand equity is. This could be well reflected either from the content analysis of a variety of brand equity definitions or from the different methods researchers employed to measure brand equity. However, agreements seem to be more dominant in the literature. This is especially true, If we examine those definitions based on whether they are defined from a consumer’s perspective or from a company’s perspective (see Table 2.1). From a consumer angle, brand equity could be viewed as added value brand endorsed or utility not explained by objectively measured product attributes. From the owner or firm’s angle, brand is the incremental cash flow or other financial returns generated by the use of brand name on a particular product.

In accordance with the two streams of definition mentioned above, brand equity can be measured either from a consumer’s perspective or from a company’s perspective. Both these two kinds of approaches are valuable in terms of the particular purposes they serve. Given that brand equity is a multidimensional concept and the value of a brand is somewhat context-specific, it seems that it is appropriate to conceptualise and measure it from different facets. Though a comprehensive single measure is desirable, it may be unattainable before having a better understanding of the facets of a brand’s equity. In this sense, more research efforts is needed to explore and measure the strength of the very different dimensions of a brand and its equity.

In today's marketing environment characterised with more accelerated change, more intensified competition and more uncertainties, creating and maintaining long-term trustful relationships with customers, clients and other publics is the key to a firm's success. Building strong brand or investing on brand equity is a "must route" for many companies especially for those ambitious to enjoy long-term advantages over its competitors. The popularity of research in branding and brand equity in the 80s and the 90's reflects the strategic importance of branding to firms on one hand, and the increasing awareness of this importance by both academicians and practitioners on the other.

## **2.4 Brand Extension: Its Determinants**

### **2.4.1 Introduction**

In brand extension research, so far, the area that most of the research efforts have been directed is on brand extendibility and its determinants. For instance, the evidence suggests that: consumer acceptance of a proposed brand extension is most likely to be positive if (1) the parent brand has high perceived quality; (2) there is a good perceived fit between the parent brand (and its category, and its firm) and the proposed extension (product and category); and to a lesser extent (3) the extension is not regarded as too easy to make (Aaker and Keller, 1990; Sunde and Brodie, 1993).

In Boush and Loken's (1991) study, they found that evaluations of brand extensions were influenced both by the extension's similarity to the brand's current products (brand extension typicality) and by the variation among a brand's current products (brand breadth). In a later study, Keller and Aaker (1992) found that, when intervening extension is introduced in their experiment, a successful intervening extension increased evaluation of a proposed extension only for an average quality parent brand; and that an unsuccessful intervening extension decreased evaluations of a proposed extension only for a high quality parent brand. This suggests that a "wide"

brand already successfully extended to a variety of products can have greater extendibility than a narrow brand that is limited to one or few products. Obviously Keller and Aaker's finding is consistent with that of Boush and Loken's.

The effects of brand associations are also examined (e.g., Aaker and Keller, 1990; Broniarczyk and Alba, 1994; Boush and Loken, 1992). For example, in Broniarczyk and Alba's study, the experiments revealed that brand specific associations may dominate the effects of brand affect and category similarity, particularly when consumer knowledge of the brands is high.

All this points to that there are three main factors identified to affect the evaluations of brand extensions, or more broadly, to determine the extendibility of brand names. They are perceived quality of the parent brand; the similarity or fit between the parent brand and brand extension; the associations of the parent brand and their relevance to brand extension.

In this section, first presented are the definitions of some related concepts that are used frequently in current brand extension literature as well as in this study. Followed is an intensive literature review on brand extension. As the main objective of this study is to explore consumers' attitudes towards brand extension in developing countries, the focus is put on the literature related to the determinants of brand extension while the other literature (such as the long term effects of brand extension, the feedback effects of brand extension, the interactions of brand extension and country of origin, etc.) though very important one way or another, may be considered to be somewhat distant to the objective of this study and therefore ignored.

## 2.4.2 Terminology

### *Brand Extension and Line Extension*

According to Aaker and Keller (1990), brand extension is to use a current brand name or an established brand to enter a completely different product class (e.g. Ivory shampoo or NCR photocopiers); while line extension is to use a current brand name to enter a new market segment in its original product class (e.g., Diet Coke and Liquid Tide).

Although many researchers use the two terms in above senses (e.g., Sullivan, 1992; Rangaswamy et al., 1993; Barwise, 1993; Reddy et al., 1994; John, Loken and Joiner, 1998), some refer to somewhat different meanings. For example, Kotler (1984) views brand extension strategy as any effort to use a successful brand name to launch product modifications or new products. Dibb et al. (1994) also offer the similar views while defining brand extension. Obviously, these later authors think there is no necessity of making further distinction between what Aaker and Keller (1990) call “brand extension” and “line extension.” Doyle (1994) use brand extension to refer to what Aaker and Keller termed “line extension” while “brand stretching” to what they termed “brand extension.” For the sake of avoiding confusion, in this project we follow most researchers’ suit and use the two terms in the meaning that Aaker and Keller (1990) specified.

### *Core Brand, Parent Brand or Original Brand*

In brand extension context, these three terms actually refer to the same thing: the brand that established a reputation in a particular product or product category. Therefor, they may be used interchangeably. It purely depends on the preferences of researchers to choose from among them in their writings. However, it should be noted, that these terms are closely tied with brand extensions or brand extension proposals, or else they will lose their meaning specified above. Further, core brand or

parent brand is usually a strong brand or successful brand in a particular product category or market.

### ***Original Product and Extension Product***

Original product or original product category refers to the product or product category upon which the core brand or parent brand build its reputation. For example, if Pepsi is extended to enter sports wear market, the original product is the soft cola drink. Extension product refers to the product that the core brand attempts to bear the name on it. In the above example, sports wear is the extension product.

### **2.4.3 Perceived Quality of the Parent Brand**

Perceived quality is defined as a global assessment of a consumer's judgement about the superiority or excellence of a product (Zeithaml, 1988). Aaker and Keller (1990) argue that the impact of perceived quality toward the extension should be unambiguously positive. If the brand is associated with high quality, the extension should benefit; if it is associated with inferior quality, the extension should be harmed. Basing on this belief, in their 1990 study, Aaker and Keller hypothesise that perceived quality of the parent brand are associated with more favourable attitudes toward the extension. However, their experiment fails to support this hypothesis. Their conclusion is that PERCEIVED QUALITY only had a positive influence on extension evaluations when the brand was not "stretched" too far. In other words, if there is not a fit basis, even high perceived quality of the parent brand can not ensure a favourable evaluation of brand extension.

Sunde and Brodie replicated Aaker and Keller study in New Zealand in 1993. The replication study found that there is a direct link between the perceived quality of the parent brand and the attitude toward the extension. This sharply contrasts with Aaker and Keller's result and therefor leaves controversy to how and in what extent the

perceived quality of the parent brand affect consumer's evaluation towards the extension.

In a latter study, Keller and Aaker (1992) did not find the interaction between QUALITY and fit measures which appeared in their 1990 study. They found a very different interaction: for a high quality brand, extension evaluations remain high even with dissimilar extensions, suggesting that the effects of QUALITY were not affected by perceptions of fit; for a medium quality brand, on the other hand, perceptions of reduced fit led to lower extension evaluations. Thus, Keller and Aaker concluded that high quality brands can be stretched farther and extended into more dissimilar categories. However, in a follow up study by Keller and Aaker (1992), when an extremely dissimilar proposed extension was introduced, they found that the extension evaluations for the high quality brand decreased in a manner consistent with their 1990 study, and the difference in evaluations between high and medium quality brands disappeared. This suggests again, that high perceived quality of the parent brand could not guarantee a high extension evaluation in the case of lacking "fit" between the parent brand and brand extension.

The lack of agreement between Aaker and Keller (1990) and Sunde and Brodie (1993) studies stimulated the academic interests to refine and generalise their findings in different culture-contexts. Nijssen and Hartman (1994) replicated the study in the Netherlands while Bottomley and Doyle (1996) replicated in UK. There are also some differences between the results of these two studies, but on the QUALITY dimension they all found the evidences to support Aaker and Keller's original hypotheses, indicating that perceived quality is directly and positively associated with brand extension evaluation.

Both UK and Netherlands replications notice the presence of high degrees of multicollinearity between the main effects and interaction terms in Aaker and Keller study and Sunde and Brodie study and view this as a major factor of the resultant discrepancy of their studies. For example, Sunde and Brodie indicated that the degree

of multicollinearity between each of the three interaction terms and QUALITY exceeded 0.9. To address this problem, Bottomley and Doyle used the so called “residual centring” regression approach to analyses both the UK and New Zealand data. It is said that in relation to OLS regression technique, “residual centring” regression approach could 1) substantially reduces the multicollinearity between the exogenous variables; 2) reduces the standard errors; 3) separates main and interaction effects and 4) enables the relative importance of the main and interaction variables to be identified (Lance, 1988). Although both UK and NZ full effects models estimated using OLS fail to support the hypothesis (that QUALITY has direct effect on brand extension evaluation), but when estimated using the residual centring technique both models provide strong support for this hypothesis.

#### **2.4.4 Fit or Similarity between the Original and Extension Product Categories**

Fit or similarity between the two involved product classes, as Aaker and Keller contend (1990), is very important in the formation of brand extension evaluation. The reason is that the transfer of the perceived quality of a brand will be enhanced when the two product classes in some way fit together.

Tauber (1988) studied 276 actual extensions and concluded that perceptual fit (i.e. whether a consumer perceives the new item to be consistent with the parent brand) is a key element in predicting brand extension success. Another study (University of Minnesota Consumer Behaviour Seminar 1987, ref. Aaker and Keller 1990) provided empirical support for the notion that greater perceived similarity between the current and new products leads to a greater transfer of positive or negative effect to the new product, and further, that a poor fit may not only detract from the transfer of positive associations but may actually stimulate undesirable beliefs and associations.

Many dimensions of fit or similarity have been offered. In their 1990 study, Aaker and Keller developed three fit measures. They are: 1) COMPLEMENT indicates the extent to which consumers view two product classes as complementary. 2)



SUBSTITUTE, is the extent to which consumers view two product classes as substitutes. 3) TRANSFER, reflects the probability of any firm operating in the original product class to make a product in the extension product class.

Aaker and Keller (1990) found (see equation 2.1 and 2.2) that among three fit variables, TRANSFER and COMPLEMENT are more important in explaining variance in extension attitudes than the SUBSTITUTE variable. In the full regression model where main effects and interaction terms are included, only the coefficients for TRANSFER is statistically significant ( $p < 0.05$ ) and this indicates that the variable TRANSFER has a direct effect to brand extension evaluation while the other two do not. The coefficients for the interactions  $QUALITY \times COMPLEMENT$ , and  $QUALITY \times SUBSTITUTE$  are both substantial (.25 and .18 respectively) and statistically significant ( $p < 0.05$ ). That suggests that high perceived quality for the original brand name is related to acceptance of the brand extension only when fit based on complementarity or substitutability is present. In a main-effects-only model where the interactive effects are removed, the standardised regression coefficients for TRANSFER, COMPLEMENT and SUBSTITUTE are respectively .24, .17, and .08, and all statistically significant at the 0.01 level. This led them to conclude that SUBSTITUTE is less important. Further, they found that the combined effect of TRANSFER and COMPLEMENT is little, and therefor the fit on either of these two dimensions is adequate for a favourable extension evaluation.

$$\begin{aligned} \text{Attitude} = & 0.01 \times \text{QUALITY} + 0.15^{**} \times \text{TRANSFER} - 0.02 \times \text{COMPLEMENT} - 0.08 \times \text{SUBSTITUTE} \\ & + 0.12^{***} \times \text{DIFFICULT} + 0.12 \times \text{QUALITY} \times \text{TRANSFER} + 0.25^{***} \times \text{QUALITY} \times \\ & \text{COMPLEMENT} + 0.18^{**} \times \text{QUALITY} \times \text{SUBSTITUTE} \end{aligned} \quad (2.1)$$

$$\text{Attitude} = a \times \text{QUALITY} + 0.24^{***} \times \text{TRANSFER} + 0.17^{***} \times \text{COMPLEMENT} + 0.08^{***} \times \text{SUBSTITUTE} + b \times \text{DIFFICULT} \quad (2.2)^a$$

---

<sup>a</sup> The coefficients for QUALITY (a) and DIFFICULT (b) were not reported in Aaker and Keller's study; \*\* and \*\*\* indicates that the coefficient is statistically significant at 5% and 1% level respectively.

Other researchers (Sunde and Brodie, 1993; Bottomley and Doyle, 1996) also found that among the three fit variables proposed by Aaker and Keller, TRANSFER and COMPLEMENT are more important than SUBSTITUTE. Furthermore, they found that these three variables all have direct effects on consumer brand extension evaluation while in Aaker and Keller's study only one variable (i.e. transfer) has this effect. This raised the question of how fit variables affect the extension evaluation, which will be addressed later in our study.

Based on theories of categorisation, Boush and Loken (1991) put forth the concept of "Brand breadth" and "brand extension typicality," which are similar to the notion of fit and may be more useful in the cases where the parent brand already covers more than one product or variant. By their definition, brand breadth refers to the variability among product types represented by a brand name. For example, the category "Heinz products" would be extremely broad if it also included lawn mowers and dishwashers. The current Heinz product offering that includes baby food, sauces, and other processed foods is somewhere between those two extremes in breadth. Brand extension typicality refers to the extent to which consumers perceive how a proposed extension typifies the brand.

Obviously, in the long run, brand breadth is a result of typicality of brand extensions. If brand managers consistently extend the brand by offering new products that are very much like current ones, a narrow brand results. If brand extensions are very different from current products, a broad brand results. The results of Boush and Loken's study showed that subjects' attitudes toward brand extensions were correlated highly with their ratings of brand extension typicality and brand category breadth. Specifically, brand extensions appeared to be evaluated more highly to the extent that they are perceived as similar to the brand's current product offering. The perceived typicality of a potential extension is influenced, in turn, by the breadth of the brand's current product offering. Narrow brand categories appear to have advantages for extensions that are highly similar, and broad brand categories appear

to have advantages for extensions that are moderately similar, to the brand's current products (Barwise, 1993).

Among others (Park et al., 1991; Bottomley and Doyle, 1996) , Broniarczyk and Alba (1994) argued that similarity or fit may be defined in terms of benefits instead of being restricted to a particular product class. "That is, a brand may fit into another category, regardless of its category of origin, if it is perceived to offer the benefits sought in the extended category." When disparate items are categorised together based solely on their relevance to the achievement of a goal, the perceived typicality of an item is determined in part by its efficacy in attaining the goal (Barsalou, 1985). Thus, an extended brand may compensate for its lack of category similarity and history in the new category through its benefit-related associations (Broniarczyk and Alba 1994). This suggests that consumers may form their fit concepts based on those dimensions that give them benefits, and if that is the case, the pursuit of other fit measures other than those mentioned above seems necessary.

#### **2.4.5 Brand Associations**

Brand association is defined simply as an attribute or benefit that differentiates a brand from competing brands (MacInnis and Nakamoto, 1990). Or brand association refers to the unique meanings associated with a brand name (Rangaswamy et al., 1993). And brand names often carry with them an overall affective impression (Boush et al., 1987), generalised preference (Fry, 1967) or image of quality (Aaker and Keller, 1990) that can enhance consumers' reactions to an extension. In addition, the brand name may be associated with specific features or benefits that can help to position the extended product and generate positive inferences (see, for example, Roman, 1969; Boush et al., 1987; Tauber, 1988; Farquhar et al., 1990). In sum, as a base of brand equity, brand association can be a barrier to competitors (Aaker, 1991) and influence marketing success (Myers and Alpert, 1968).

As a part of brand association, the perceived attributes of the parent brand include both specific product features and more abstract or emotional image variables. A brand whose image is mainly based on abstract attributes like prestige, style, or durability may be more extendible than one with strong associations with specific product features like, say stain resistance or a particular colour or flavour (Park et al., 1991; Bridges, 1992; Rangaswamy et al., 1993).

In their study, Park, Milberg and Lawson (1991) examined the broad distinction between functional and prestigious brand associations. They found that evaluation of an extension is enhanced when the brand and the extension category share the same association.

Concurring with Park and colleagues (1991) finding of the importance of brand associations, Broniarczyk and Alba (1994) further explore the relative importance of these associations, and found that brand associations may dominate the effects of brand affect and category similarity, particularly when consumer knowledge of the brands is high. This led them to the conclusion that, although there exists boundary condition, opportunities to exploit an brand's value are not limited to similar extension categories. Specifically, their finding suggests that an extended brand may compensate for its lack of category similarity and history in the new category through benefit-related associations.

Farquhar and Herr (1993) argued that one main task for brand management is to foster brand's core associations consistently over time, and such core associations also affect a brand's ability of how far it could stretch. In their article, Farquhar and Herr raised the issue of the directionality of brand associations. They distinguished two types of directional relation: Brand-to-associate relations and associate-to-brand relations. The former refers to those directional associations that start from the brand and spread outward and the latter refers to the reciprocal associations that start from some outside associates (like product category, usage situation and attribute or benefits) and move inward to the brand. Both these two directions are important in

brand extension, as Farquhar and Herr stated. However, in current research, it seems that most researchers as well as practitioners started their thinking from a pure brand-to-associate orientation. Actually, in many cases, consumers may decide to buy a product from a particular category and tend to choose whatever brand is typical because it is easier to recall (Loken and Ward, 1990). In these cases, category-to-brand association is more predictive of brand recall than the brand-to-associate associations. Furthermore, they define the strength of the category-to-brand association as category dominance and the strength of the brand-to-category association as instance dominance. Basing on these concepts and their prior research (Herr, Farquhar and Fazio, 1992), they concluded that brands with high category dominance often enjoy a substantial market share of the parent category but have substantial inertia in extending very far to other categories.

Krishnan (1996) used a memory model to identify various association characteristics under consumer-based brand equity. Although his study does not directly address brand extension issues, the association characteristics of a brand he identified and their relations to brand strength do have rich implications to brand extension. Krishnan founded that the number, the valence and the uniqueness of associations are important indicator of brand strength.

Taking consideration of the extremely importance of the brand in brand extension (Broniarczyk and Alba, 1994; Tauber, 1993) and brand as a set of associations in consumer mind (Nagle, 1979; Farquhar and Herr, 1993), the associations and their characteristics underlying a brand could be an important area to explore in the future research of brand extension.

#### **2.4.6 Other Factors**

Nijssen et al. (1995) explored the impact of consumer involvement on brand extensions. Their study revealed that consumers evaluate high and low involvement extension products differently. High involvement extension products are primarily

evaluated based on the suppliers' perceived ability to manufacture the new product. In evaluating low involvement extension products consumers tend to look more broadly for fit. For both high and low involvement extension products the quality of the original brand is important too. However, limited evidence points at a more dominant role for quality in the case of low involvement extension products.

Roux (1995) used the similar methods to Aaker and Keller's (1990) to investigate consumer evaluation of luxury brand extensions. The study showed that for luxury brand, subjects tend to evaluate the extensions on a more abstract level, and that perceived quality of the parent brand and brand concept consistency are good predictors of the extension's success.

A few researchers investigate the effects of the characteristics of extension product market from brand owner's perspective. For example, Smith and Park (1992) examined the relative effects of brand extensions on market share and advertising efficiency. Their findings indicate that the relative effect of brand extensions on market share is not moderated by the degree of similarity between the extension and the other products associated with the parent brand. Advertising efficiency, however are elevated when similarity is high, but not when it is based on intrinsic attributes. Market share and advertising efficiency effects are elevated when extension is composed primarily of experience attributes and competes in markets comprising few competitors.

Sullivan (1992) investigates the appropriate entry time for the extension. The study found that the use of brand extensions was closely related to the product life cycle and that managers have on average been right to use new brands in new categories and brand extensions in mature markets. She justifies this by relating it to the relatively lower risk and easier positioning by using brand extensions in a more stable mature market. From consumer's perspective, is this also justifiable? So far, no research is directed to address this question.

#### **2.4.7 Summary on Brand Extension**

So far, researchers have identified several important factors that affect consumer brand extension evaluation. These include perceived quality of the original brand or more broadly consumers' affect to the original brand, the similarity or fit between the original product category and extension product category, the associations of parent brand and their relevance to the extension. Some other factors like consumer involvement, the maturity of the extension product market, the credibility of the company and the entry time of the extension are also explored (e.g., Aaker and Keller, 1990; Roux, 1995; Reddy, Holak and Bhat, 1994), though in a less dominated way.

Some agreements do emerge as to which main factors affect consumers' evaluations of brand extension. However, many discrepancies and problems remain to be resolved as to what extent or in which conditions these factors affect consumers' attitudes towards the extension.

#### **2.5 Conclusions**

Research on brand extension has dominated branding literature since mid 1980's and a lot has been achieved in this research area. So far, the most efforts directed and also most achieved is in the area of the determinants of brand extension. Enormous agreement emerged as to the main factors that affect the success of brand extensions. These include consumers' preference or effect to the parent brand, the fit or similarity between original product category and extension product category, the relevance of the associations of the parent brand to the extension. Some other factors, like consumer characteristics, entry time of the extension, market characteristics of the extension product category are also explored, though in a less focused way.

In spite of the great achievements and congruity in empirical findings, there are still many discrepancies and problems yet to be addressed and resolved. It is early to say

we have a sound understanding to the determinants of brand extension, especially in terms of the weights, the interactions and affecting processes of these determinants.

Empirical findings so far are still inadequate to clearly and confidently answer question of what extent and how these factors affect consumer brand extension evaluation. In addition, some new questions have been raised and need to be addressed. For example, how consumer characteristics and market characteristics like consumer involvement (Nijssen et al., 1995), market maturity and competition intensity of the extension product category (Sullivan, 1992; Gatignon, Weith and Bansal, 1990) affect consumer extension evaluation? Is it still appropriate to focus on consumer's affect on a single brand while "mono-branding" is diminishing (Laforet and Saunders, 1994) and corporation name and country-origin play increasingly important role in consumer's product evaluation (Saunders and Fu Guoqun, 1996; Han, M. C., 1989)? Do the measurements widely employed in brand extension researches hold their validity for all stimuli and all respondents? And so on.

Given the importance of brand association to brand extension, it seems that more empirical efforts need to be directed to it. From the literature reviewed above, it is found that, although many researchers have identified the relevance and importance of brand associations, few empirical projects directly contribute to this area. From consumer's perspective, a brand is a set of associations related to its product properties, its logo and advertising slogans, its usage context and other associates. How many associations is closely attached to a particular brand? Which is more valued by consumers or by a specific set of consumers in specific context? In what conditions does abstract association dominated brand help it stretch further than specific-association-dominated brand? How brand associations interacts with other variables like perceived quality, category similarity etc.? The pursuant of answering these and other related questions may greatly extend and enrich the current brand extension research.



In response to the call to replicate, refine and generalise the research findings of US studies in different culture contexts (Barwise, 1993; Aaker & Keller, 1993), some European researchers have begun to delve into the area enthusiastically in recent years. For example, Nijssen and colleagues (1995) explored the effect of involvement on brand extensions; Roux (1995) examined consumers' evaluation of luxury brand extensions; Nijssen and Hartman (1994) and Bottomley and Doyle (1996) replicated Aaker and Keller's (1990) study respectively in Netherlands and UK. These studies shed fresh insights and greatly contribute to the understanding of brand extension.

An understandable but a little bit regrettable phenomenon is that all the findings and conclusions on brand extension are drawn from consumers' responses in developed countries and mainly in US. From a global standing, could these conclusions be generalised or applicable to the emerging economies in which consumers are so different from those in western society either in terms of cultural background or in terms of consumption pattern? Given the increasing importance of the emerging economies both as market and as investment absorber, it seems reasonable to pay more attention to the consumer responses from these economies. Because, it seems unjustifiable, before any investigation, to assume that consumers in these countries will respond to the brand extension in the same way as Western consumers do.

**Table 2.1 Brand Equity Definitions**

Type	Brand Equity Definitions	Authors
Company Orientation	Goodwill adhering to a brand name	Bonner, G. and Nelson (1985)
	Added value endowed by the brand to the product.	Farquhar, P. H. (1989)
	Brand's long-term customer franchise, and the financial value of that franchise.	Barwise, P. (1993)
	The incremental cash flows that accrue to the firm due to its investment in brand.	Simon and Sullivan (1993)
	Incremental cash flow resulting from the product with brand name versus that which would result without brand name	Shocker and Weitz (1988)
	The power that a brand may command in a market by means of its name, symbol, or logo.	Mahajan, V., Rao, V. R. and R. K. Srivastava (1994)
	The sum of the intangible values that are associated with a product identified by a brand name or trademark	Francois, P. and D. Maclachlan (1996)
	A set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and /or to that firm's customers.	Aaker, A. (1991)

**Table 2.1 Brand Equity Definitions (continued)**

Type	Brand Equity Definitions	Authors
<b>Consumer Orientation</b>	The additional utility not explained by measured attributes	Louviere, J. and R. Johnson (1988)
	Utility intrinsic to a brand that cannot be captured through its tangible characteristics and its short-term price.	Kamakura, W. A. and g. J. Rueesll (1993)
	The difference between an individual consumer's overall brand preference and his or her multi-attributed preference based on objectively measured attribute levels.	Park, C. S. and V. Srinivasan (1994)
	Differential effect that brand knowledge has on consumer response to the marketing of that brand.	Keller, K. L. (1993)
	Residual value in the form of favourable impressions, attitudinal dispositions, and behavioural predictions among all those who are exposed to the marketing activities related to the brand, including present consumes, potential consumers, as well as channel members and other influencers in the buying process.	Rangaswamy. A., Burke, R. R. and T. A. Oliva (1993)
	Brand equity is the aggregation of all accumulated attitudes and behaviour patterns in the extended minds of consumers, distribution channels and influence agents, which will enhance future profits and long term cash flow.	Ambler, T. and Chris Styles (1997)

## **Chapter 3 Branding in Emerging Economies: China's Experiences**

### **3.1 Introduction**

This chapter serves to provide some basic clues to the understanding of the branding environment and branding practices in developing countries by taking a brief look at China's situation. Although each country could claim its own distinctiveness, some common features exist across most of emerging economies. For example, they have low income per capita, weak industrial sector, pre-maturing or poor markets for both consumption and capital goods, and weak protection for intellectual property rights (Kinsey, 1988; Czinkota, Ronkainen and Moffett, 1992). Related to these, consumers in these countries generally spend a large proportion of expenditure on food and necessities, are less experienced with modern consumption, more frequently encounter unpleasant purchases, and have biased perceptions to domestic products or domestic brands (Bilkey and Nes, 1982; Paliwoda, 1993). On the other hand, the large differences in terms of culture, economic development level and industry structure, shape the distinguished market and consumer characteristics of the various emerging economies. Hopefully, by looking into China's circumstances, a better understanding to both these common and distinctive aspects among emerging economies could be attainable.

The chapter begins with a brief introduction of the branding history in China, and then follows with an introduction of the competition and cultural environments in China which are crucial to understand Chinese consumers and China market. Further proceeded are the presentation of the popular practices of using corporate name and brand extensions by Chinese enterprises, and the primary analysis and comments on opportunities and challenges of branding in China. It concludes with several observations that might reflect the general picture of emerging economies.

### 3.2 Brief Branding History in China

Brand use has a long history in China. It is reported that there were indications of using brands in the Three Countries periods (Between 220 to 265 BC) and that “Dukang”, a well-known liquor brand still used today, was introduced in that period of time. Another widely cited brand is the “White Rabbit” which was introduced in eleventh century and its original copper-made copy is kept in the Chinese History Museum in Beijing. In spite of this, the concepts of modern brand and branding are relatively new. Actually, the importance of branding had not come to be recognised by China’s enterprises until more than a decade ago when China implemented its open door and reform policies.

Before 1979, China’s economy was a highly centralised one. Enterprises were not exactly what they mean in modern sense, they were only factories that transformed the inputs into outputs and cared for nothing, except for fulfilling the production tasks assigned by the central or local governments. Input was provided by state or local government, and produces were distributed by state-owned merchants, and profits and losses all belonged to the government. In short, enterprises need not contact market, need not care for profit and losses, and they are “accessories” or “subsidiaries” of the government.

Under this circumstance, putting brands on goods seems unnecessary from enterprise’s perspective. There was a popular view during the 60s and 70s, that trademarks did not need to be protected as exclusive property of enterprises, because the state-owned enterprises (SOE) shared the same owner and their trademarks were all owned by the state or by the government. Guided by this view, China abolished the Trademark Registration Bill in 1963 and replaced it with a new one, which did not recognise the property status of trademarks. This new bill concentrated on government’s regulation on products’ quality, and required that all the products sold in markets bear brand or trademarks on them, for the purpose of identifying the authentic producer whenever the products were defective or had quality problems. As

trademark was not regarded as exclusive property of the registrant, it could be used by other enterprises whenever the government thought necessary. As a result, for a long time, many well-known brands in China market were widely used by enterprises other than the original registrants without paying for them.

Taking “Jing Jiang” thermos for example, it is a famous brand both in China and in some south East Asia countries. In the Sixties and Seventies, like other socialist countries, China was in a “shortage economy”, and “Jing Jiang” products were unable to meet the demands of domestic and abroad markets. Under authorisation of the government of Hubei Province, the Hubei Export and Import Corporation (HEIC) assigned several factories to produce Jingjiang thermos and exported them. The registrant or “owner” of the brand, Jingjing Thermos Corporation (JTC) did not disagree, because almost all its products were exclusively distributed by HEIC on one hand, and it had to obey to government order as a state-owned company on the other. Moreover, when the HEIC required the transfer of the trademark from the JTC, the leader of the later agreed and signed the transfer agreement without asking for any compensation. This kind of one way “transfer” occurred to over 150 well-known national brands during the Cultural Revolution.

After 1979, China came to recognise that enterprise should create profit, and admitted that it was not appropriate for government to permit one enterprise to use others’ assets freely. Under the new policies, no enterprise is permitted to use others’ property or produces without offering something in return. In other words, only through exchange could an enterprise obtain what it needs from the others. This type of relationship among enterprises leads to the recognition that trademark as a property must be exclusively used by its owner. In 1982, China enacted its Trademark Law and forbade the unauthorised use of the trademark by non-registrants. This created a new environment in which enterprises competed with one another through developing and protecting brand reputations. During the 1980s, partly because of the new Trademark Law and partly because of the emergence of a competitive domestic market, brand use was increasingly popular and more and more

enterprises come to appreciate the importance of developing the “goodwill” of brands. In fact, since the early 1980s, the registered trademarks have been in a steady growth, which partly reflects the popularity of branding in China. In 1982, the total valid registered trademarks were less than 70 thousands, and about a dozen years later it amounted to over 530 thousands. Among them, some emerged as well recognised locally or nationally.

The Nineties witness a new wave of branding. This could be partly evidenced by the drastic increase of advertising investment, and by many enterprises’ campaigns to build their brands. In 1990, the total national advertising expenditures were 25 billion yuan, and in 1996 it jumped to over 36 billion yuan, the annual growth rate reached over 30 percent and was more than three times of the annual GNP growth rate (see Table 3.1). For some consumer goods manufacturers such as those producing nutrients and liquors, advertising budgets climbed to as high as 15 to 30 percent of their revenue (Luo Taihong, 1997). The rapid economic growth, the coming of foreign well-known brands and intensified competition in domestic market, consumers’ consistent enthusiasm with famous brands, the spread of modern marketing concepts and the government’s encouragement and support all contribute to add fuel to the branding fever in China (Fu Guoqun, 1995; Luo Taihong et. al, 1997; Si Dongfei, 1996).

### **3.3 Branding Environment: Brand Competition**

The past two decades’ reform has brought a dynamic consumer product market. “Shortage” is replaced by “surplus” for almost all consumer products. In this so called “buyer’s market” circumstance, firms are facing fierce competition both from domestic and abroad. In this section, we first take a brief look at some market survey data which may mirror the general competition picture, and then we look into the toothpaste market to get a better understanding to brand competition in China.

### 3.3.1 General Panorama

In 1996, CCTV Survey and Constancy Centre (SCC) and the State Census Bureau (SCB) conducted a consumer survey on brands and their market shares. The data were collected from ten thousand households in thirty-one major Chinese cities including Beijing, Shanghai and the provincial capital cities (Tang Yuhao and Qi Chen, 1997). The survey involved 27 categories of non-durable and 10 categories of durable goods. The selected survey data are presented in Table 3.1, Table 3.2, Table 3.3 and Table 3.4.

Note that, in China's countryside and small towns, consumers may have unique brand choice pattern for many products. Take cigarette or beer as example, local brands usually dominate local markets, and nation-wide well-known brands may have very low market share in these areas. This helps explain why there are so many brands in each product category on one hand, and cautions us that the market share for most brands presented here may be over-estimated from a nation-wide perspective on the other. In spite of the limitations, the survey data presented here could roughly reflect the positions of the major brands in urban area, and therefor is useful to the understanding of brand competition in China.

From the data presented in Table 3.2 to Table 3.5, we could get some ideas about China's market. Firstly, there are a lot of brands competing for consumers' attention in each category. In non-durable product categories, for example, the least in terms of brand number is film industry in which there are 13 brands while the most is cigarette industry where 287 brands exist. Again, if the survey were conducted in a wider geography, more brands would emerge in each product market. In their 1997 survey, SCC and SCB included more cities into their sampling and they did find that the brand number for each category significantly increased (see Table 3.6). For example, film brands increase from 13 to 57, beer brands from 266 to 565 and air conditioner brands from 135 to 191. The increase of the brands may partly contribute to new brand introductions during 1997, but more importantly, it is the factor is the widening



of the sampling regions in 1997 survey. One interesting phenomenon is how these tiny niche-brands are even able to survive while facing such a huge number of competitors. Two speculative explanations might help shed light on the understanding of it. First, the majority of brands are locally distributed and aimed to a specific small consumer group that may be difficult to reach for national brands. Take cigarettes as example, the low qualities aiming at the poorest might be 0.5-0.6 yuan per pack while the high qualities at least 5 or 6 yuan per pack, and for some well-known national brands and exotic brands the selling prices are even more than 10 yuan per pack. Considering the huge income differences between the rural and urban areas and among the different consumer groups in cities or towns, it is not so hard to understand the diversity of Chinese consumers and therefor the diversity of brands in each category. Second, over 60 percent state owned enterprises (SOE) is being operated in a net profit loss state while they still desperately sell their products in the market.

Secondly, in many industries, several national brands emerge to dominate the market, and this is especially true for some non-durable product market such as coffee, cola, film and soap in which the top five brands explains more than 80 percent of the total market. And this means that in the future the competition in these markets might be mainly among those big players and new entrants might be very difficult to survive. However, for the majority of industries, typical oligarchic structure is being or yet to be formed. For some categories like beer, chocolate and perfume, even the leading brands take only a very small market share. Furthermore, in service sectors it seems that few well-known brands emerge. In these less concentrated or less developed industries, enormous opportunities exist for creating and developing strong brands.

Thirdly, durable product industries seem less concentrated than most non-durable product industries. Among the eight product categories presented in Table 3.5, seven are less than 50 percent of the total market share for the top five combined. Whereas, for ten non-durable categories, the same result is only applicable to beer and cigarette. The highly concentrated industry in which the top five take up 70 percent

of the market share are all in non-durable goods categories. There may be many factors attributable to this difference. One factor that cannot be negligible is, that on average, consumers are more diversified to which is the best brand in the category for durable than for non-durable. For example, in non-durable categories, Coca-Cola had the highest preference ratio, and 52 percent of the respondents surveyed regarded it as the best brand in cola category. In durable categories, Haier, a refrigerator brand, had the highest preference ratio (25.8%); while the lowest occurred in microwave oven category in which Panasonic was regarded as the best but only 11.39 percent of the respondents agreed to this.

Fourth, the best regarded brands do not necessarily take up the biggest market share and this is more often the case for durable than for non-durable. For non-durable, the incongruity between the best regarded and the biggest market share occurs only to the film market in which Kodak is best regarded while its market share (40.84% in 1996 and 40.44% in 1997) is lower than Fuji (49.11% in 1996 and 47.39% in 1997). However, for many durable goods,, the incongruity is more frequently witnessed. For the eight durable products, the incongruity occurred in four categories. Take refrigerator as example, Haier, a famous brand, was rated as the best by 25.80% and 37.45% respondents respectively in 1996 and 1997 surveys, but its market share is always behind another Chinese brand "Rong Sheng". The main reason for this is the price. Hair refrigerators are generally charged 20% percent more than "Rong Sheng." In a society in which the majority of consumers are very price sensitive, the price differences do have a great influence on their choices. The same is true for the incongruity in other durable product classes. Given the fact that durable is generally more expensive than non-durable, it is relatively easy to understand why the incongruity between the attitude and the actual choice occur more often in durable product classes than in non-durable categories. In 1997 survey (see Table 3.6), the incongruity also occurred to two non-durable products: film and toothpaste. Though price factor for these products is not as important as for durable, it still has some impact. In film market, for example, Kodak priced about ten percent more than Fuji and its market share is about 7 or 8 points behind Fuji. Here, price may not be the

only cause, but again it makes sense to many price sensitive consumers. Toothpaste market is being in a structure transition in recent years, the situation in this market is very different from film market where two major players dominate. In the subsequent section we will take a closer look of this specific market.

### **3.3.2 Toothpaste Market**

In 1997, there were over 300 toothpaste brands in the market and about 2.3 billion tubes (from 50g to 135 g) of toothpaste were sold in China. In terms of consumption amount, China is the second largest toothpaste market in the world, only after the US. It is estimated that by 2000, China's toothpaste sale will reach 3.05 billion tubes and by 2010, it will jump to 4.62 billion tubes (Duan Jinjin, 1998). The enormous growth potential attracts many new entrants both from domestic and from abroad, and thus makes it a highly competition-intensified market.

Traditionally, the toothpaste industry was dominated by 4 or 5 Chinese brands and they took up over 60 percent of the market share. From 1992, some foreign well-known brands like Colgate, Signal and Crest began to enter China market. During the first 3 to 4 years, these brands mainly targeted the high quality sector and made limited success. Because the foreign brands position themselves as prestigious and having higher quality, they are highly priced. Their prices are two to four times of the equivalent Chinese brands and this makes them difficult to enter the top four in terms of market share (see Table 3.7), and therefor making no big change or impact on the competition structure of the industry.

However, from the end of 1996, foreign players started to change their focus. In November 1996, Colgate re-assessed its strategies and decided to target the urban mass market. It reduced the price of its 50g tube from 5 yuan to 2.45 yuan, and replaced its 135g tube with 105g while reducing the price from about 10 yuan to 3.90 yuan (Duan Jinjin, 1998). Several months later, Uni-lever followed the suit and significantly reduced the prices of its toothpaste products. Coupled with large-scale

advertising campaigns and the highlighted explanation that imported materials were replaced by the domestic inputs, the previous concern about consumers' doubts to the proportional quality reduction proved to be over-estimated. Soon, Colgate and Signal increased their positions. By May 1997, Colgate jumped to the leader position, Signal to the fourth place while another foreign brand Crest entered the top ten for the first time(see Table 3.7).

The aggressive strategies adopted by foreign brands have brought about structural change to the competition pattern of the toothpaste market. As the top five brands are very close in terms of market share and none of them is in a dominated position, the competition among them obviously will be fierce in the next few years.

### **3.4 Branding Environment: Chinese Culture**

China has nearly 13 billion consumers and they are highly diversified in terms of demographics and consumption patterns. However, the majority or over 90% of the population share the same culture, Han culture (here we call it Chinese culture, though there are some differences between the two terms in a strictly academic sense). This culture shapes them and makes them somewhat similar in their thinking, their customs and behaviour pattern. Therefore, Chinese culture is the key to the understanding of Chinese consumers, as well as the core to the successful branding in China. Many authors (e.g. Yau, 1994) analyse Chinese culture and try to pinpoint the major characteristics of Chinese culture. Among others, *guanxi* (similar to relationships but having a broader meaning), *face* (*Mian Zi* in Chinese) and obedience to authority are regarded as the most important cultural dimensions. In branding context, except for those mentioned above, some other characteristics are also important or even more prominent. In this section, we briefly examine those less focused culture characteristics and discuss their relevance and implications to branding.

### 3.4.1 Holistic and Intuitive Thinking

In ancient China, the world was considered to consist of five basic elements: gold, wood, water, fire and soil. These five elements have different properties. Gold can be moulded and shaped; water diffuses and streams to the lower places; fire burns and goes upwards; wood is flexible and soil can be cultivated. Based on these simple observations, some ancient Chinese thinkers tried to establish the interrelations of these five elements and developed a so-called “Five Interdependence Theory.” According to this theory, wood burning makes fire, then fire leads to soil, soil to gold, gold to water and water to wood. This kind of intuition and experience-based theory emphasises not on the individual part of a phenomenon but on the relations of these parts as a whole. Although the later ancient Chinese thinkers developed many colourful and insightful theories to explain the phenomenon of the nature and the society, their thinking mode remained unaltered (Jing Chunfeng, 1986).

Obviously, this holistic and intuitive thinking has its virtues and limitations. In virtue side, it helps people accumulate knowledge and experiences, improve their ability in generalising and synthesising. But on the other side, it fails to direct people to precisely examine the accurate function and functioning process of each separate part, and thus hampers the deeper understanding to the object being observed (Li Zonggui, 1988). Perhaps, traditional Chinese medical examination and curing methods, a typical by-product of this thinking in some sense, could be used as footnotes of the virtues and limitations. When some one feels uncomfortable or painful in the stomach or in whichever part of the body, the traditional Chinese doctor will first observe the patient’s eyes and tongue, or more commonly feel the patient’s blood pulse in the artery and then makes his judgement and prescriptions. The underlying assumption is that any disease in the body will affect the operation of the other parts, therefor through observing the related observable parts, the cause of the disease could be pinpointed. Further, when the doctor thinks he find the cause, he will try to improve the whole immune system of the patient instead of only curing the very part that is seriously affected by the disease. The principle here is also based on

the formerly mentioned assumption in addition to the doctor's experiences. To modern Western doctors, this seems non-scientific and or even ridicule. But, in many cases especially for some chronic diseases, they do effect or even have a better effect than other alternatives.

As residues of the culture, holistic and intuitive thinking are deeply imbued in Chinese society. People living in this culture always try to establish relations among different phenomenon based on their experiences. This provides both challenges and opportunities to branding. On one hand, consumers in this culture may more actively process the information that they feel illogical, abstract, ambiguous or incongruous with their experiences and make this kind of information more prominent in their memory than in other cultures. On the other hand, this kind of information may be more often interpreted undesirable from a sender's perspective. Here, a paradox occurs: it will be difficult to attract consumers' attention and arouse their processing to the information if the information provided is too concrete and fully consistent with customer's experiences and exceptions, while if providing with the inconsistent or abstract information, the risk of potential negative links or undesirable associations may be increased. For established brands, this may not a big problem, but for newly introduced brands it is. Two alternatives seem appropriate to approach this problem for new brands. One option is to use the information that is more provoking to stimulate active information processing in the initial stage of brand introduction, and then change the information to a more easily controllable direction in the second stage. Another option is to give free product trial to potential customers and let them have usage experiences with the brand simultaneously with or before sending the related information. The latter option seems more appropriate for non-durable than for durable, and proved to be effective for some foreign entrants like Tide and Safeguard.

Another possibility is that, under a holistic and intuitive thinking dominated culture, consumers seem more likely to evaluate a brand based on a whole concept that combine all those factors together such as original country of the product, producer's

credibility, brand reputation, product benefits and usage contexts etc. This means, that the interaction effects among individual factors may be more likely to occur in this culture than other cultures.

### **3.4.2 Attaching Much Importance to Personal Reputation**

There is a deep belief in Chinese society that the primary pursuit in life is to behave oneself in a manner consistent with social norms and obtain or form a good name or good reputation. To pursue or maintain personal reputation, many ancient Chinese people willingly sacrificed their major benefits or even their lives. It is said that in Qufu, the birth place of one of the greatest ancient Chinese thinkers Confucius, there are a lot of stone emblems that scribed the names of the ancient virgins who sacrificed their lives or remained unmarried the whole life to express their loyalties to their engaged but unmarried deceased husbands (Kong Deyi, 1984). These or other kinds of sacrifices for reputation could be witnessed almost everywhere in pre-modern novels, dramas or other art works. According to Li Zhonggui (1988), Chinese people's pursuing reputation is closely related to specific Chinese moral and value concepts, and without a knowledge to these value concepts it is difficult to understand why Chinese people attach so great importance of it to their life.

For most modern Chinese people, devoting one's life for reputation seems incredible, but they still consciously or unconsciously take reputation at least as one of the most important considerations. Because, in a society of so much valuing personal reputation, it is difficult for one with a bad reputation to develop close personal relationships with others and difficult to achieve what he aims to. Due to this, the local judicial department in Sheng Zheng (a modern city adjacent to Hong Kong) decided to publicly publish the names of chief executives of the firms that failed to execute the court verdicts. It was reported that this measure was more effective than some other measures the court had taken previously, and many local courts in other cities were attempting to follow the suit (News Paper Digest, 1997).

Ability or career achievement is one source of personal reputation, but it may not be the most important one. In China, it seems that one's reputation is more closely associated with his obedience to the norms of specific groups he belongs to. In the countryside and small town or even in some groups of big cities, people spend a large portion of their incomes to give gifts to their relatives and friends simply for observing the local or group customs. This portion could reach as high as 40 to 50 percent of a household's income in some poor rural areas. For many, they may be unwilling to give in their inner hearts, but from the point of saving their faces and maintaining their reputation they have to. In 1995, CCTV Investigation Focus program presented a special report about building sepulchral monuments for living parents by their offspring in a county of Zhe Jiang province. Many metropolitan viewers were shocked by the fact that the costs of these tombs ranged from 30,000 to 100,000 RMB (4000 to 12000 US dollar). When asked why they spent all their savings to do this seemingly ridicule thing, some replied that they had no choice, or else they would be defamed by their peers.

In a reputation-oriented culture, so called extravagant consumption seem more nourishing and the products that help gain and enhance reputation are to be more valued. This may suggest that in China, there will be enormous room and opportunities to develop highly regarded brands on one hand, and those highly prestigious brands are more favourably evaluated and less sensitive in price-elasticity. Typical evidence of this is that in China, few people ever have seen Mercedes-Benz but it is still regarded as the best car by respondents in SCC and SCB's 1997 survey. Another line of evidence is that consumers favour to Hong Qi car. Hong Qi was reserved for VIP in Mao Zedong era and had not been produced for many years until two or three years ago it was re-introduced. Though there is not much advertising for it, due to its prestigious status it still keeps high rate of recognition among consumers (see Table 3.8).



### 3.4.3 Group Interests above Individual's Interests and Desires

In Western society, the whole social system is built on the principle that individual's freedom and property is the priority. Pursuing self-interest and personal desires in general are encouraged, and they are regarded to benefit the society and enhance the society's welfare (Liu Diyuan and Tan Chentai, 1990). Historically, China's society is built on a somewhat contrary principle, where group's interest, especially so-called "national interest" is often above that of individual. Although this may be in accordance with the interests of the majority theoretically, actually the principle often serves to the benefits of the minority of the ruling class who is in position to determine what the group's or the society's interest is. Moreover, even the ruler or the ruling class can rightly determine the group or the society's interest, generally is the case that the interest of the minority is ignored or denied. From fairness or justness' angle, the principle is problematic.

Then, why is it accepted by the society and has become the common cultural value of most Chinese people? To answer this complicated question, it may need to examine the whole Chinese history and to have a deep understanding of the evolution of Chinese culture. Here, we only provide one clue that may help approaching this question. Traditionally, most Chinese people settled themselves in the vicinity of Yellow River and Yangtze River and made their living on farming land. Yearly floods and other natural disasters made it impossible for one to survive without the mutual help and support among family members and relatives. To protect themselves from natural calamities and attacks of enemies, the descendants from the same ancestor usually live in the same village and formed a big family clan. Within this clan, every member was instilled with a notion that he was only an element of the whole and he should contribute to the existence and the integral interest of the group. Individual's feebleness in relation to the enormous unfavourable natural forces made them believe that only through building harmony relationships among group members and enhancing the group's total defending ability, could the personal

interests be assured in a greater extent. In China's history, countless national heroes contributed their lives to the belief that they served the interests of the whole nation.

In a society that extremely stresses the importance of the group's interests, the asymmetry between group's and individual's rights and duties is inevitable. This results in at least two consequences. Firstly, to be in accordance with group's norms and requirements, individuals have to abstain or limit their personal desires. Secondly, to pursue personal interests and achievements, individuals have to form good relationships with other members of the group. Thus, relations or relationships are extremely important for one's success in China and they cost individuals a lot of time, efforts and other resources (Li Zhonggui, 1988). Related to this, to form harmonious relationships with the group, one need to be modest and not put himself in a too prominent position. There are many frequently quoted Chinese sayings on this aspect. "Pigs worry to be big and man worries to be too famous," "the tree standing out the wood must be blew down by wind" are just a few.

According to Maslow (1954), human needs are arranged in a hierarchy, from the most pressing to the least pressing. In the order of importance, they are physiological needs, safety needs, social needs, esteem needs, and self-actualisation needs. Although admitting exceptions, Maslow's need hierarchy theory assumes that the basic needs or 'lower' needs such as hunger, thirst and security should be satisfied before 'higher' needs such as affiliation and recognition can be accounted for (Wahba and Brdwell, 1976). In a Chinese cultural context, however, as group interests and norms, interpersonal relationships, and other people's regards are attached with so great importance, consumers are more likely to sacrifice their lower needs for higher ones. For example, among the young generation, spending one's one month's salary to buy an exotic sports shoes like Nike or Reebok is not uncommon.

Related to their emphasis on the needs of belonging and recognition, most Chinese consumers may be strongly directed towards others. In many instances, when they make product or brand choices, their first question or reaction is how other people

such as family members, friends, colleagues judge them. For instances, if they smoke a certain brand of cigarette or drink a certain brand of wine, it is not because of the superior taste but because of the image of the brand. The image-directed or other-directed behaviour is associated with conformism (Kelman, 1958). Consumers with high image-directed tendency agree with an idea if this gives them a positive image and leads to them being accepted by others (Antonides and Raaij, 1998). Thus, as a whole Chinese consumer is more likely to conform to a majority-held judgement or belief. Perhaps, that is why the 'Number One Selling Cigarette' theme of Marlboro was so successful in Chinese communities.

### **3.5 The Use of Corporate Name and Brand Extensions**

In China, using corporate name or a part of it as brand is very popular and this is especially true in durable product category. Table 3.9 presents some major China brands and their producers in three non-durable product categories while Table 3.10 presents those in three durable product categories. Apparently, in durable product industries, using corporate name or part of it as brand is almost a industry uniform. In non-durable product categories, the use of a corporate name seems slightly less common, however, in some industries like the men's shirt category, it is also highly popular and fashionable.

Several factors may be attributable to the popularity of the use of a corporate name. First, there is tradition reason. Under the traditional planned economic system, each enterprise was assigned to produce one specific product and as mentioned previously, they did not have much stimulation for branding. Usually they put whatever the head think appropriate on their products as brand. Company name or the abbreviation of company name is the most convenient way to name brand. Second, there is a perception among many management executives that the consistency of brand name and corporate name helps enhance the recognition of both and therefore benefits the company. Some companies changed their corporate name to be consistent with their brand name after the latter was well known locally or nationally. For example, Sha

Shi Chemicals and Engineering, replaced its name with Houli 28 Group in the later of 80's due to Houli 28, a powder detergent, has become a nation-wide well-known brand. Third, compared with the multinationals in Western society, China's enterprises are very small, vulnerable and limited in product lines. At the current stage, they seem unable or less necessary to use many brands. Actually, even for most large-scale Chinese companies, they only use one or two brands. For these companies, the negative slipover effects among products or brands does not seem a big concern, so using corporate name may be less risky than in the case of offering many products and brands.

There are a few industries such as tobacco and pharmacy industries in which companies seem less in favour of using the corporate name as a brand. In these industries, each company usually offers several products or brands. These brands may target different customers or serve different use contexts for the same market, their positioning strategies are very different. Moreover, the attached interactions among different products may be large, and the failure of one product may greatly affect the other products of the company. Thus, using corporate name in these industries looks less attractive. Perhaps, largely due to this reason, in the tobacco industry the use of corporate name as brand is rarely seen.

As discussed above, except for a few industries, companies in other industries generally favour use of their company name as brand and this may be largely contributed to the fact that these companies offer very limited product lines. Then, when a company expands to other markets or adds new offerings to its current product lines, how does it choose its branding strategies? This is indeed a relevant as well as prominent question to some Chinese companies. In practice, most companies in these cases seem to favour the use of brand extensions and line extensions. For example, in electrical appliances industry and food and drink industry, extension become a new fashion in 90's (see Table 3.11). The enthusiasm with brand extension or line extension on one hand may reflect those driving forces such as the increasing cost of new product introduction, the high failure of new products etc., on the other

hand, it again mirrors the intuition thinking characteristics of Chinese culture. Even with little knowledge or study about the conditions that favour or do not favour successful brand extension or line extensions, many Chinese companies are intuitively charmed by the possible gains and make their decisions in a rush.

### **3.6 Opportunities and Challenges**

#### **3.6.1 Opportunities**

The market-oriented reform and rapid economic development in China have brought out and will continue to bring out a more open, more dynamic domestic market. During 1979 and 1995, China's average annual GDP growth rate was 9.9% (Li Jingwen, 1997). Even under a seriously unfavourable global economic environment, China's GDP growth in 1998 reached 7.8% and this year is scheduled to touch 7%. In parallel with economic expansion, China is ambitious to integrate its economy into the global economy. In order to recover its membership position in WTO, it has reduced the tariff duties several times and now the average tariff is about 17%, approaching the average level of most developing countries. With the implementation of the open door policies, China attracts more and more foreign players in its market. By the June of 1996, there were over 120 thousands foreign investment enterprises established in China and they explained nearly 40% of China's exports and imports. Foreign investments also brought foreign products. In many consumer goods markets, now foreign brands dominate. For example, in laundry detergent market, foreign brands have a market share of over 60%; in coffee market, Nestle and Maxwell hold over 90% market share. In Guang Zhou, the capital city of Guang Dong province, domestic brands of TV sets only have a market share of 9.9% (Luo Taihong, 1997). Foreign brands not only intensify the competition but also bring new ideas, concepts and skills of branding, which makes Chinese enterprises feel urgent to build more powerful brands on one hand and to expose to and be familiar with these new ideas and skills on the other.

Although in some industries, several major brands emerge to dominate, however, there are still many industries in which even the leading brand only has a small market share. For example, in beer, chocolate, fruit juice drink and fresh milk categories, leading brand holds very small market share (SCC and SCB, 1998). In service sectors, strong brands seem yet to be created and developed. In these industries, enormous opportunities exist for branding. Even in those industries dominated by several powerful brands, there is still huge development room for both existing and newly introduced brands. Notice that, Colgate is the number one selling toothpaste in China urban area, yet it is recognised only by 26% of Chinese consumers; and even for Marlboro, one of the most valuable brands in the world, its recognition rate in China is only 65% (see Table 3.8). If looking at Table 3.6, it could be found that in eight durable product categories, only one brand, Haier of refrigerator class, was regarded as the best by over 30% of the respondents, and the best regarded ratio for other seven leading brands is all less than 20%. Among ten most favoured brands in non-durable product class, only one brand is regarded as the best in its category by slightly over 50% of the respondents. This indicated that in China, so far, there are rarely brands that could claim to be the best in its category by most Chinese consumers. The fact that even in the highly concentrated industries a large number of brands could be co-existent and survive, further suggests the potential opportunities of branding actually in every product category.

Chinese consumers' enormous and consistent enthusiasm with famous brands in recent years provides additional stimulation to build strong brands in China. In spite of low income and low consumption level on national average, a middle class with relatively high income and modern consumption concepts is being emerged in metropolitans and economically more developed areas. They are becoming the driving forces for well-known brand consumption. Actually, in many product categories, the total market share of the major well-known brands are steadily growing. Take Colour TV for example, the top three brands took up 16.3% of the total market in 1994, 33.72% in 1996 and 43.85% in 1997. Although foreign TV brands like Sony, Panasonic and Hitachi are on average 30-40% higher in price than

domestically made TV brands, they kept about 30 percent of the market share (Luo Taihong, 1997). This indicates that more and more Chinese urban consumers choose national well-known brands and put more weight on brand reputation when making choice decision.

As discussed previously, from a cultural perspective, Chinese consumers seem more easily influenced by brand reputation than those living in most other cultures. For most Chinese people, how other people think is always a very important concern before taking an action (Ma Maochao and Gao Dan, 1987). Moreover, as a whole, Chinese consumers are not well experienced with modern products consumption and are not as much knowledgeable as those in the Western society, so when facing choices of similar products they may more heavily depend on the cues brands signal. As well-known brands generally have more and stronger associations, they could exert greater impact on consumer's choice decision.

At current stage, brand-building costs are relatively low in China market and this may make branding and brand investment very attractive. It is said that in some US consumer markets, the cost of introducing a new brand has been estimated to range from \$50 million to more than \$100 million (Brown, 1985), with a total cost estimated to run to \$150 million (Tauber, 1988; Aaker and Keller, 1990). In China, the costs of brand building have been steadily growing over the past decade, however, compared with those in developed countries they are not too expensive. Taking TV commercial for example, the cost of per thousand viewers for CCTV prime hours on Saturday is only about 25 cents of RMB (equal to 3 cents of US dollar), this is much less than in other countries (Tan Xisheng and Liu Xun, 1995).

### **3.6.2 Problems and Obstacles**

Although in recent years many Chinese enterprises came to recognise the importance of branding, and more and more resources are being directed to brand building, misunderstanding and superficial perceptions on branding are very common. In

comparison with those in developed countries, Chinese enterprises are in their infancy stage toward branding, thus, their perceptions on branding inevitably have limitations.

One typical misunderstanding, many top managers hold, is that branding mainly means to invest more in advertising. “Qingchi”, a liquor product that was unheard of three or four years ago, almost suddenly becomes a nation-wide big name through intensive advertising. In 1996, with near 70 million yuan it won the bid for the daily top spot on commercial on CCTV, and promoted by this it increased its sales by 100% over 1995. In 1997, it bade again with an incredible price of 320 million yuan, over 50% of its total sales revenue of 1996. Though controversial, many marketing experts think it irrational and that the product doomed to be a withdrawal, due to its insufficient investment on other elements of the marketing mix.

Contrary to the popular view in Western society, top management in many Chinese enterprises sees advertising as a short-term investment and expects a quick return. Because of this, they often input as much as they can afford in advertising. The belief that advertising has a magical effect was well boosted in the recovery stage of China’s ad industry. During this stage, advertising was regarded both as a fresh and a reliable information source for most Chinese consumers, and had an effective influence on their behaviour. Based on this, some managers believe that advertising is an investment with high and quick return. Some managers even reached the conclusion that their market failures are not because of the poor quality and services but because of insufficient ad support. Lacking comprehensive understanding to advertising, some enterprises make ad investment decisions purely by intuitions just like the case of “Qingchi”. Under the environment in which advertising industry is relatively young and consumers view ad as reliable information source, even the poor decision may not lead to fruitlessness. For this reason, intuitive decision in ad investment generally would not result in serious consequences. But that is the situation of the past. Now, as advertising is much heavily focusing on brand image instead of simply informing consumers, tuition-type decision increasingly reveals its



intrinsic shortcomings. In the new circumstances of today, consumers are increasingly experienced and cautious, thus indiscreet decision on ad investment often leads to losses or disaster. In spite of this, many Chinese enterprises have not yet been fully conscious of it. Further, as they base their decisions on the assumption of quick return of the ad, they often put as much resources as they could in the initial stage, and count on a fast sales growth from the later stages. Unfortunately, in many cases the expected growth does not occur and the ad budget scheduled has to be reduced or totally cancelled. Frequently seen are the cases that a commercial appears repeatedly on CCTV for a short period of time and then disappears for good.

Another big concern is that the non-private business has yet to establish the mechanisms of modern enterprise. In other words, the enterprises in non-private sectors are not fully market-driven and they are more easily intervened by the state or local governments. This brings two consequences: the uncertainty of the top management in these enterprises, and their dependence on the government and its policies. As most of the top executives in state-owned enterprises (SOE) are officially appointed and are generally not evaluated by performance of long term business development, they often have a tendency of short-termism in order to impress the government. Obviously this is harmful to the long-term building of a brand.

Related to the attachment with government, top management has to direct much efforts to deal with government officials. Under the traditional planned economic system, enterprises were only “subsidiaries” of the government and they could count on government’s decision on the questions of what, how and for whom to produce. Though China’s economic system is now being experienced a thorough change, many top executives accustomed to the traditional system are not well adapted themselves to the change during the transition period. When facing problems and difficulties, they unconsciously think of the government for help because this is the easiest and the most familiar way in their experience world. In other words, in most SOE executives’ minds, governments are the solution for almost any problem. As

non-private sector is large and it controls the key industries of China's economy, the top management's behaviour in this sector will have a demonstration and contagious effect on those in other sectors.

On the other hand, as China has an overstaffed bureaucracy and could not afford to substantiate a high level of the salary for the governmental employees, many, especially those in key positions are reluctant to weakening their powers and prestige. For this reason, some good policies made by the top government are unable to be well implemented in the middle and low levels. In order to protect their once enjoyed interests, many local officials have a instinct resistance to attempts that may weaken their power. In the reforming process, power weakening and shifting seems inevitable for most of government officials. To get a compensation for their lost influences, some officials occasionally attempt to recover or even to strengthen their powers through setting up and carrying out some "reform policies." These policies are generally put forth in the name of developing local economies but actually they are a result of power expansion by some local officials. Coupled with many executives' dependence on the government, this kind of desire of expanding power by many governmental officials provides a nurturing land of "rental seeking." Many authors stated that, without a complete separation of the enterprises from government "umbrellas", the attempt to build a large number of successful domestic brands with national or global wide reputations is doomed to be a failure.

Among other challenges, trademark infringement is another problem that many enterprises concern most. For a long period of time, China did not recognise the property status of the trademark (Fu Guoqun and John Saunders, 1994). This is changed until China enacted its Trademark Law in 1982. According to the law, trademark is an exclusive property and non-authorised use is forbidden. Guided by the Trademark Law, China established a nation wide regulation body along with its judicial system to monitor and implement the law. In 1993, China revised the law of 1982 and stipulated more serious punishments to infringing behaviour. It should be acknowledge that, in a relative short time, China has made great progress in

improving its legal protection to trademarks. However, as a whole, China's trademark protecting system is in a need of further minding. This could be evidenced by the fact that almost each famous brand has been or is being unlawfully duplicated in local or even national markets.

In recent years, trademark infringements are in a steady rise and they are not effectively curbed, and are viewed by many as a big enemy of the society. A variety of explanations have been offered for the widespread of trademark infringing. Firstly, some local governments are reluctant to punish stringently by the law the offenders that are located in their administrative areas. This is so called "local protectionism." The local protectionism sometimes greatly influences both the judicial and administrative regulation agencies' decisions and occasionally leads them to biased verdicts. In a large portion of cases, the verdicts are fair but they could not carried out effectively because of the interventions of the local governments. This well reflects that China is still a society regulated "half by law and half by man." Secondly, a large number of trademark infringements occurred in rural areas or in underground factories and this greatly increases the difficulties and costs of investigation, making a thorough identification of the responsibilities very hard. Thirdly, China's trademark law stipulates that the courts or regulation agencies could punish the offender with severe fines but the victim of the infringement could not claim more than what he actually losses in the lawsuit. This to some extent is not in favour of the victim. Some scholars have proposed to break the limit of the civic compensation principle and to give the victim the right of compensation claim two or three times of the actual loses. Because, trademark is not an ordinary property and need not be confined to the remedy principle of "equivalent compensation for loses." But, so far it is not the reality and many plaintiffs feel frustrating after taking so much time and efforts to bring the case to court or to regulation body. Fourth, the concentration degree of retailing in China is low, this enables faked products to enter distribution channels easily on one hand, and makes the owners of famous brands difficult to protect themselves through authorising exclusive licenses to a limited channel members on the other.

### 3.7 Conclusions

There are many opportunities for enterprises to build brand equity in developing countries. In China's context, opportunities come from: 1) rapid economic growth and increasingly more open and more dynamic domestic market; 2) consumers' consistent and increasing enthusiasm with national brands and global brands; 3) a cultural environment that favours the flourishing of famous brands; 4) the recognition rates for most national and global brands are relatively low; 5) in many industries, concentration degree or concentration rate is low and strong brands yet to be developed; 6) relatively low medium cost.

However, there are also many obstacles and challenges for branding in developing countries. For instance, in China, as the market becomes more open and more multinational giants come in, the competition increasingly becomes intensified. Due to their low incomes, consumers in general are more price-sensitive than their Western counterparts. Both government's and enterprises' behaviours are not as predictable as in Western economies. And arbitrary legal administration makes enterprises frustrating in protecting their trademarks on one hand, and leads to more suspicious consumers on the other.

Culture is always an important source of the differing consumer behaviour patterns of different countries. Like other cultures, Chinese culture has its own distinctive characteristics. In addition to Guanxi (relationships), face and obedience to authority, there are other cultural characteristics that are relevant and important to branding and brand extension evaluation. For example, most Chinese people are accustomed to holistic and intuitive thinking. This may make them more likely to attach much importance to the interactions of different affecting factors when they evaluate a brand, an advertisement or whatsoever. In addition, the emphasis on group norms and other people's views and opinions may make Chinese consumers more likely to conform to one and other in evaluating brand and brand extensions.

**Table 3.1 Advertising expenditure and trademarking data of China**

	Advertising Expenditure (billion RMB)	GNP ( billion RMB)	The Ratio of Ad in GNP (%)	Yearly Applications for Trademark Registration	The Number Valid Registered Trademarks	Total of
1979					32589	
1980				26177	49234	
1981	1.18	4773.0	0.024	23004	66990	
1982	1.50	5193.0	0.028	18565	84047	
1983	2.34	5808.0	0.040	20807	90618	
1984	3.65	6962.0	0.052	29564	105388	
1985	6.05	8557.6	0.070	49243	127492	
1986	8.44	9696.3	0.087	50970	159175	
1987	11.12	11301.0	0.098	44069	187626	
1988	16.06	13984.2	0.107	47549	214059	
1989	19.99	15677.0	0.127	48411	249439	
1990	25.05	17400.0	0.144	57272	279397	
1991	35.05	19758.7	0.177	67604	318915	
1992	67.86	23938.0	0.264	90795	366202	
1993	136.00	34560.5	0.394	132323	411161	
1994	200.30	46670.0	0.429	142617	468865	
1995	273.37	57495.0	0.475	172146	533779	
1996	366.6	67559.7	0.543			

Source: China Trademark Bureau, Trademarking Report in 1995 and China Statistical Yearbook, 1997.

**Table 3.2 Brand number and the best regarded brands in selected categories  
(non-durable) in 1996 survey**

Product Category	The Number of The Brands Surveyed	The Best The Brand Preferred by Consumer	Preference Ratio*	Market Share	Market Position
Film	13	Kodak	38.87%	40.84%	2
Cola	22	Coca-Cola	52.12	75.18	1
Coffee	37	Nestle	51.32	84.01	1
Toothpaste	104	Zhong Hua	25.57	16.51	1
Soap	187	Lux	42.24	38.14	1
Carbonic Water	197	Sprite	23.36	41.52	1
Detergent	197	OMO	24.95	22.08	1
Vegetable Oil	211	Jing Long Yu	30.48	22.27	1
Beer	266	Qing Dao	23.19	7.16	1
Shampoo	266	Rejoice	27.07	30.58	1
Cigarette	287	Hong Ta Shan	25.51	15.04	1

Source: CCTV Survey & Constancy Centre (SCC) and the State Census Bureau (SCB), 1997.

\* The Preference Ratio = the proportion of respondents who rated brand A as the best in the specific product category in the total sample surveyed.

**Table 3.3 Brand number and the best regarded brands in selected categories (durable) in 1996 survey**

Product Category	The Number of The Brands Surveyed	The Best Regarded Brand by Consumer	The Preference Ratio*	Market Share	Market Position
Motor Cycle	128	Honda	12.32%	10.95%	1
Air Conditioner	135	Chun Lan	18.70	9.67	2
Hi Fi	174	Pioneer	13.67	8.20	4
Colour TV	193	Panasonic	24.56	13.31	1
Washing machine	186	Little Swan	21.97	16.94	1
Refrigerator	201	Haier	25.80	9.65	2
Microwave Oven	104	Panasonic	11.39	17.95	2
Bath-shower	284	Wan Jiale	23.30	15.80	1
Heater					

Source: CCTV Survey & Constancy Centre (SCC) and the State Census Bureau (SCB), 1997;

\* The Preference Ratio = the proportion of respondents who rated brand A as the best in the specific product category in the total sample surveyed.

**Table 3.4 The market share of top ten brands in some non-durable product categories in 1996 (%)**

Product Category	1	2	3	4	5	6	7	8	9	10	Total
Film	49.11	40.84	6.88	1.39	1.35	0.09	0.08	0.06	0.01	0.01	99.82
Cola	75.18	23.12	0.21	0.19	0.16	0.09	0.09	0.05	0.05	0.06	99.19
Coffee	84.10	8.64	1.61	0.77	0.52	0.40	0.37	0.27	0.24	0.23	97.15
Toothpaste	16.51	15.26	12.38	9.65	7.59	5.29	4.94	4.63	3.14	2.36	81.75
Soap	38.14	34.39	8.20	2.80	1.70	1.68	0.74	0.53	0.51	0.48	88.97
Carbonic Water	41.52	19.49	2.71	2.60	2.54	2.23	2.22	2.00	1.88	1.36	78.54
Powder	22.08	10.69	10.01	9.97	7.37	5.17	3.01	2.79	2.68	2.45	76.22
Detergent											
Vegetable Oil	22.27	4.34	3.19	2.69	2.49	2.48	1.87	1.79	1.79	1.75	44.66
Beer	7.16	6.01	4.81	4.47	4.36	3.06	3.04	2.78	2.72	2.62	41.03
Shampoo	30.58	16.22	10.79	9.80	8.13	5.05	2.18	1.37	0.93	0.86	85.91
Cigarette	15.04	8.10	7.08	5.64	5.58	4.16	2.82	2.78	2.56	2.48	56.24

Source: CCTV Survey & Constancy Centre (SCC) and the State Census Bureau (SCB), 1997.



**Table 3.5 The market share of top ten brands in some durable product categories in 1996**

Product Category	1	2	3	4	5	6	7	8	9	10	Total
Motor Cycle	10.95	8.48	8.13	4.95	4.59	4.59	3.89	3.53	3.53	3.18	55.82
Air Conditioner	10.49	9.67	7.45	7.37	5.29	5.11	4.42	3.81	3.64	3.38	60.58
Hi Fi	11.05	10.16	8.38	8.20	6.60	4.81	3.92	3.74	3.57	2.14	62.57
Colour TV	13.31	12.70	7.62	6.29	5.81	4.66	3.93	3.21	3.21	2.78	63.52
Washing machine	16.94	8.74	7.86	6.64	5.83	5.01	3.52	3.52	3.46	2.57	64.09
Refrigerator	17.41	9.65	8.78	8.31	5.33	4.71	3.45	3.29	3.14	2.43	66.50
Microwave Oven	24.68	17.95	13.46	5.77	4.17	4.17	4.17	3.85	2.56	2.24	83.02
Bath-shower Heater	15.80	8.46	8.03	7.65	6.27	4.64	3.13	2.95	2.70	2.32	61.95

Source: CCTV Survey & Constancy Centre (SCC) and the State Census Bureau (SCB), 1997.

**Table 3.6 Brand number and the best regarded brands in selected categories in 1997 survey**

Product Category	The Number of Brands in the survey	The Best Regarded Brand	The Preference Ratio **	Market Share	Market Position
<b>Non Durable</b>					
Film	57	Kodak	37.43%	40.44	2
Carbonic Water*	311	Coca-Cola	37.86	43.68	1
Coffee	128	Nestle	50.65	82.97	1
Toothpaste	226	Zhong Hua	18.50	11.54	2
Soap	388	Safeguard	36.80	41.95	1
Detergent	409	OMO	22.44	19.66	1
Vegetable Oil	473	Jing Long Yu	28.79	17.82	1
Beer	565	Qing Dao	17.51	6.27	1
Shampoo	508	Rejoice	27.36	29.79	1
Cigarette	646	Hong Ta Shan	21.95	17.12	1
<b>Durable</b>					
Motor Cycle	274	Honda	9.28	--	After 3
Air Conditioner	191	Chun Lan	13.57	11.61	2
Hi Fi	413	Pioneer	8.24	7.59	3
Colour TV	211	Chang Hong	13.57	21.72	1
Washing machine	340	Little Swan	19.61	16.86	1
Refrigerator	211	Haier	37.45	15.89	2
Microwave Oven	191	Glanz	10.23	26.37	1
Bath-shower	529	Wan Jiale	18.33	14.07	1
<b>Heater</b>					

Source: CCTV Survey & Constancy Centre (SCC) and the State Census Bureau (SCB), 1998.

Note: \* In 1997 survey, cola was included in the carbonic water product category; the brand number in this broad category is 311 and larger than the combined number of 1996's two categories;

\*\* The Preference Ratio = the proportion of respondents who rated brand A as the best in the specific product category in the total sample surveyed.

**Table 3.7 Top brands and their market shares in toothpaste market**

Position	1993		1994		1995		1996		1997*
1	Zhong	Hua	Zhong	Hua	Zhong	Hua	Zhong	Hua	Colgate
	(24.4)		(19.2)		(21.9)		(16.5)		(15.9)
2	Liang	Mian	Liang	Mian	Liang	Mian	Liang	Mian	Zhong Hua
	Zheng (20.1)		Zheng (17.1)		Zheng (17.4)		Zheng (15.3)		(15.5)
3	Hei Mei		Hei Mei		Lan	Tian	Colgate		Liang Mian
	(11.4)		(14.3)		(15.2)		(12.4)		Zheng (15.2)
4					Hei Mei		Hei Mei		Signal
					(11.7)		(9.7)		(14.0)
5					Colgate		Lan Tian		Lan Tian
					(11.1)		(7.6)		(13.7)
6					Signal		Jie Ying		Hei Mei
					(6.8)		(5.3)		(7.2)
7					MAXIM		Leng Shuan		Crest
					(6.0)		Ling (4.9)		(6.8)
8					Leng Shuan		Signal		Leng Shuan
					Ling (5.3)		(4.6)		Ling (5.8)
9					Kang Chiling		MAXIM		MAXIM
					(2.3)		(3.1)		(3.3)
10							Shanghai		Kang Chiling
							(2.4)		(2.5)

Source: China Well-known Brands, No. 1, 1994; No. 1, 1995; No. 3, 1997 and No. 2, 1998.

\* the data in this column stands for the market share of the brand in May, 1997, and it provided by the former Domestic Trade Ministry which was merged to the State Economic Committee in 1998,

**Table 3.8 The most recognised brands in China in 1997**

Brand Name	Recognition Rate	Brand Name	Recognition Rate	Brand Name	Recognition Rate
China Bank*	85%	Goldlion	54%	Crocodile	37%
Coca-Cola	81%	Kodak	53%	Playboy	35%
Beijing Jeep	77%	Philips	52%	Genius	34%
Qingdao Beer*	76%	Sanyo	52%	Kent	34%
Santana	76%	Suzuki	51%	Peugeot	32%
Head & Shoulders	72%	Fuji	50%	Sumsung	32%
Panasonic	70%	Mitsubishi	48%	Shenli Beer*	32%
Hong Qi car*	67%	Greatwall	44%	McDonald's	31%
		Computer*			
Hitachi	67%	Sony	44%	Apple	31%
Marlboro	65%	Hilton	43%	Ford	30%
Haier*	61%	Jingxing*	43%	Avon	30%
Toshiba	61%	Nestle	42%	Casino	29%
Honda	61%	Boeing	42%	KFC	27%
Toyota	60%	Volkswage	41%	Nissan	27%
		n			
Mercedes-Benz	59%	Sharp	40%	Colgate	26%
Mickey	58%	Motorola	39%	Rolls Royce	25%
Pepsi	57%	Da Fa	39%	Canon	25%

Source: Gallup China Consultant Limited (1998), Recognition survey of global brands in China, China Top Brands, January, 38-39.

Note: \* China Brand

**Table 3.9 Major China brands and their producers in toothpaste, cigarette and man's shirt categories**

Brands in Producer		Brands in Producer		Brands in Producer	
Toothpaste		Cigarette		Men's Shirt	
Zhonghua	Shanghai Unilever	Hong Shan	Ta Yuan Nan Yuxi Kei Kei* Tobacco Company	Shanghai Kei	Kei Group
Liang Mianzheng *	Liuzhuo Mianzheng Toothpaste Ltd.	Liang Hong Mei	Yuan Nan Yuxi Fu Seng* Tobacco Company	Huizhuo Fu	Seng Group
Hei Mei	Guangzhuo Meicheng Toothpaste Ltd.	Double Joys	Shanghai Tobacco Company	Hong Dou*	Zhejiang Hong Dou Group
Lan Tian	Tian Toothpaste Factory	Jing Bai Sha	Changsha Tobacco Company	Yager*	Jiangshu Yager Group
Leng Shuanling	Chong Toothpaste Factory	Qing Muo Dan	Shanghai Tobacco Company	Hao Leixi*	Hao Leixi Group

Note: \* brand is a part of its producer's name.

**Table 3.10 Major China brands and their producers in TV, air conditioner and refrigerator categories**

Brands in Producer		Brands in Producer		Brands in Producer	
TV		Air		Refrigerator	
Category		Conditioner		Category	
		Category			
Chong Hong*	Chong Hong Group	Hong Geli*	Zhu Hai Geli Group	Rong Sheng	Ke Nong Group
Kang Jia*	Kang Jia Group	Jia Chun Lan*	Chun Lan Group	Haier*	Haier Group
Panda*	Panda Group	Ke Nong*	Ke Nong Group	Chong Ling*	Chong Ling Group
Beijing	Tian Jing TV Manufacturing Ltd.	Mei Di*	Guang Dong Mei Di Group	Xing Fei*	Henan Xing Fei Group
Jing Xing*	Shanghai Xing Group	Jing Hua Bao*	Guang Dong Hua Bao Group	Shang Ling*	Shanghai Shang Ling Group

Note: \* brand is a part of its producer's name.

**Table 3.11 Selected brand extensions in drink and electric appliances industries in 90's**

Parent Brand	Original Product	Extension Product
Wahaha	Yogurt	mineral water, canned rice, children food
Le Bei Shi	Yogurt	mineral water, distilled water
Tai Yang Sheng	Nutritional Drink	mineral water, distilled water
Haier	Refrigerator	air conditioner, colour TV, computer
Chong Hong	Colour TV	VCD, computer
Wan Bao	Refrigerator	electric cooker, electric fan, dish washing machine
Mei Di	Air Conditioner	electric heater, electric fan
Wan Jiale	Bath Shower Heater	electric cooker, dish washing machine

## **Chapter 4 Research Hypotheses Development**

### **4.1 Introduction**

This chapter presents and discusses the research hypotheses to be tested in the study. These hypotheses build upon Aaker and Keller (1990) and others' brand extension model but are developed to fit the developing countries' particularly China's situation.

The chapter begins with a brief description of Aaker and Keller's basic brand extension model. Then, it outlines a proposed extended model that takes much consideration of the realities in developing economies. Both the basic model and extended model are attempting to address the question of which factors and in what extent these factors affect consumers' attitudes toward brand extensions. Basing on these two models, a set of hypotheses is formulated. The hypotheses are discussed in the context of six major factors that are identified to affect consumers' evaluations towards the brand extension. The six factors are: consumers' attitudes towards the parent brand; the fit between the two product categories; the congruity between the associations of the parent brand and of the extension; the cultural effect; the competitive intensity of the extension product market; and the characteristics of the extension product.

### **4.2 Basic Brand Extension Model and Extended Model**

#### **4.2.1 Aaker and Keller's Basic Brand Extension Model**

As mentioned previously, Aaker and Keller (1990) put forth a brand extension determination model. This model may be described as in Figure 4.1. There are three important factors that are considered to affect consumers' evaluations of the brand



extension in the model. They are: the perceived quality of the parent brand; the fit or similarity between the original product class and the extension product class; and the difficulty of making or manufacturing the extension product.

The main assumption behind this model is that consumer acceptance of a proposed brand extension is most likely to be positive if (1) the parent brand has high perceived quality; (2) there is a good perceived fit between the original product class and the proposed extension product class; and (3) the extension is not regarded as too easy to make.

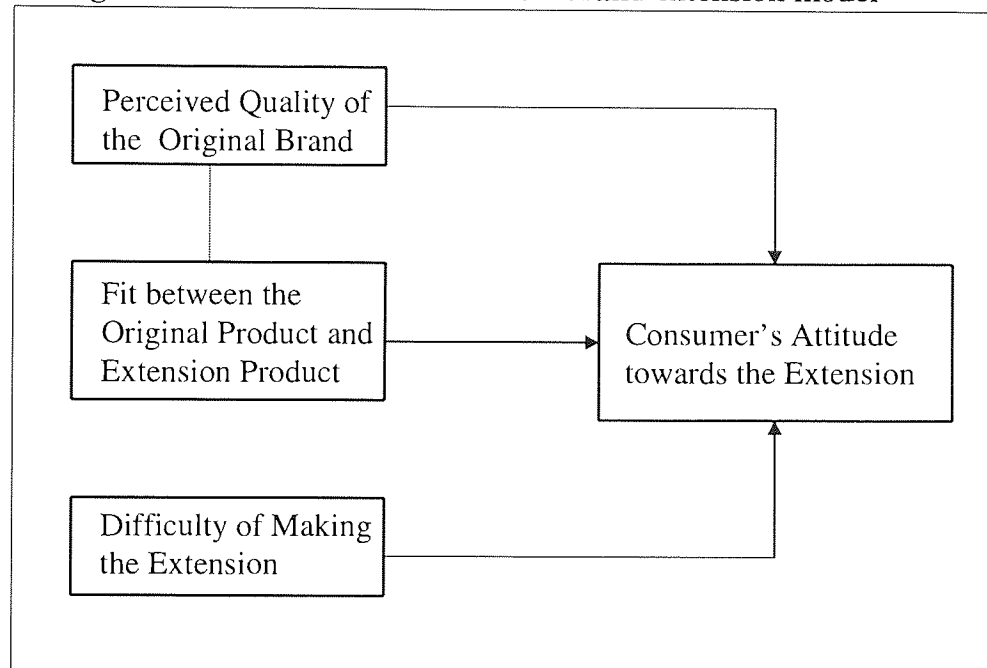
The dependent variable of the model is consumers' attitudes to the brand extension. This variable is measured in two dimensions: perceived quality toward the extension and the purchasing possibility or buying intention of the extension. In Aaker and Keller's study (1990) and the subsequent replication studies (Sunde and Brodie, 1993; Nijssen and Hartman, 1994; Bottomley and Doyle, 1996), these two measures are averaged to form a single variable value.

The independent variables could be classified into two groups: the main independent variables or main variables, and the interaction variables. There are five main independent variables and three interaction variables in the model. The five main independent variables are: the perceived quality of the parent brand, termed as QUALITY; the three fit variables, termed as TRANSFER, COMPLEMENT and SUBSTITUTE; and DIFFICULT which indicates the easiness or complexity of making the extension product. The three interaction variables are QUALITY  $\times$  COMPLEMENT, QUALITY  $\times$  SUBSTITUTE, and QUALITY  $\times$  TRANSFER (Table 4.1).

Aaker and Keller's model has been replicated in several developed countries. The empirical findings of these studies are presented in Table 4.2. In summary, great agreements emerged if using so called "residual centring" regression approach to analyse the data (Bottomley and Doyle, 1996). However, discrepancies and problems

still exist. For example, Aaker and Keller (1990) found that the dimension of DIFFICULT has a positive relationship with consumers' attitudes toward the extension while other studies failed to replicate this result.

**Figure 4.1 Aaker and Keller's basic brand extension model**



Note: —→ indicates direct effect; - - - indicates interactive effect.

**Table 4.1 Variables in Aaker and Keller's brand extension model**

Dependent Variable		Attitude toward the Extension
		---Perceived quality of the extension
		---Buying Intention to the extension
Main Variables	Independent	Perceived quality of the original product
		Transfer
		Complement
		Substitute
		Difficult
Interaction Variables		Perceived quality $\times$ Transfer
		Perceived quality $\times$ Complement
		Perceived quality $\times$ Substitute

**Table 4.2 Summary of the findings of Aaker and Keller's basic model: beta coefficients\***

Variables	Aaker and Keller (1990)	Sunde and Brodie (1993)	and Nijssen and Hartman (1994)	Bottomley and Doyle (1990; residual centred)	Bottomley and Doyle** (1996; residual centred)
Quality	- 0.01 (-0.1)	0.67 (3.1)	0.24 (9.0)	0.22 (11.38)	0.25 (13.06)
Transfer	0.15 (2.0)	0.16 (0.4)	0.60 (19.2)	0.31 (13.82)	0.26 (12.62)
Complement	- 0.02 (-0.4)	0.24 (0.7)	-0.00 (0.0)	0.31 (13.26)	0.30 (14.52)
Substitute	- 0.8 (-1.0)	0.99 (2.4)	0.06 (2.0)	0.18 (7.65)	0.18 (8.42)
Qual. × Trans.	0.12 (1.4)	0.07 (0.1)	0.08 (2.8)	0.08 (3.40)	0.08 (4.06)
Qual × Compl.	0.25 (3.2)	0.05 (0.1)	- 0.02 (0.6)	0.05 (2.31)	0.05 (2.27)
Qual. × Sub.	0.18 (2.1)	- 0.99 (-2.1)	-0.07 (2.4)	0.03 (1.15)	- 0.01 (-0.58)
Difficult	0.12 (6.2)	0.00 (0.0)	OFR	0.01 (0.55)	0.03 (1.58)
Adjusted R-square	0.26	0.48	0.49	0.48	0.43
Sample size	2140	1413	693	1358	1559

Note: \* Standardised regression coefficients. Figures in parentheses are Student t-values.

OFR = omitted from research. \*\* data set is provided by Sunde and Brodie but the analysis results are provided by Bottomley and Doyle.

#### 4.2.2 A Proposed Brand Extension Model (Extended Model)

The current brand extension literature suggests that, in addition to the factors proposed in Aaker and Keller's model, there are other dimensions that have influences on consumers' attitudes towards the extension. For example, researchers (Broniarczyk and Alba, 1994; Bottomley and Doyle, 1996) eloquently argue that brand concept consistency or fit between the image of the parent brand and the associations of the extension may be even more important in some cases than the fit or similarity between the two involved product classes in predicting consumers' attitudes toward the extension. Brand could be viewed as a set of associations (Nagle, 1979; Farquhar and Herr, 1993) and many of these associations are benefits-related to consumers. Thus, it is reasonable to anticipate that when the concept of extension is consistent with the image of the parent brand, consumers will have a positive attitude toward the extension; otherwise, they will evaluate the extension less favourably or even negatively.

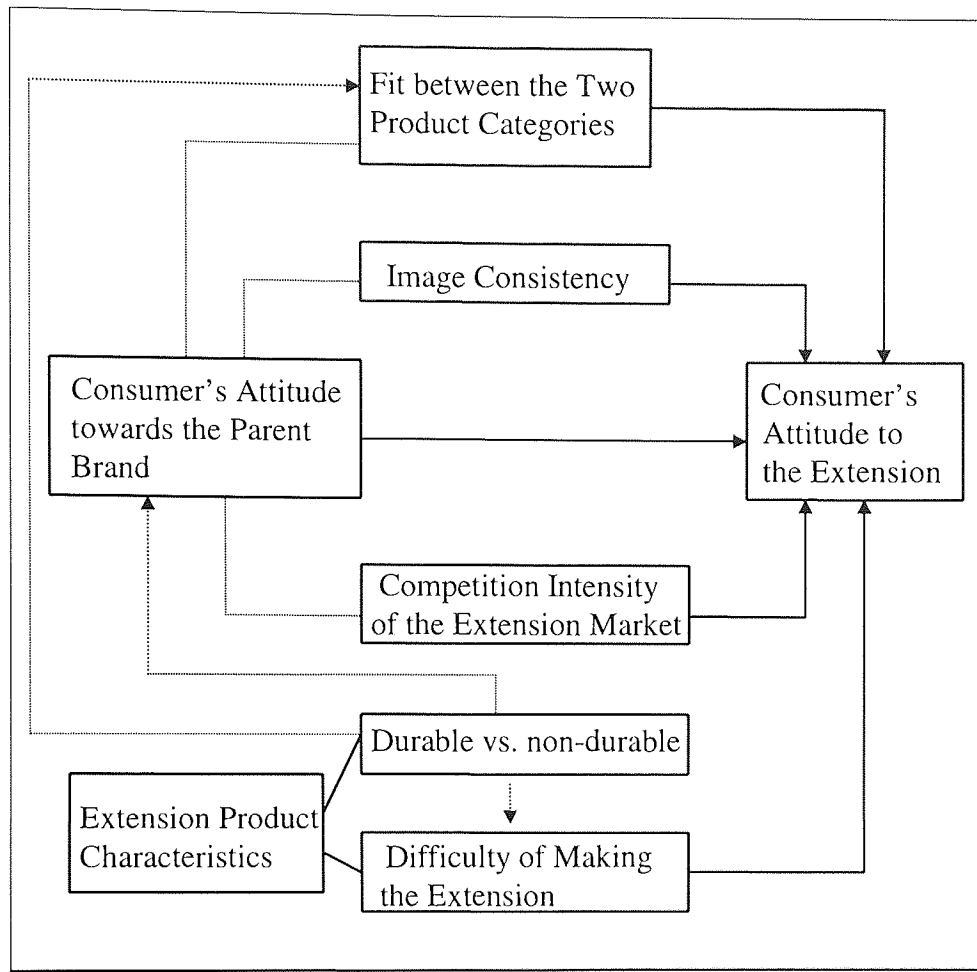
The characteristics of extension product and extension product market, as discussed before, may also have important impact on consumer's evaluation of the brand extension. For example, Nijssen and colleagues (1995) provides exploratory evidence that evaluations of brand extension are associated with consumer involvement. While Roux's (1995) study suggested that for luxury brands, consumers react on a more abstract level and abstract associations seem have greater influences on consumers' attitude formation toward the extension than less abstract ones.

In developing countries, some elements may be more prominent in influencing consumers' evaluation of the extension than in developed countries. For instance, in most developing economies, the brand competition is considerably unbalanced in different consumer product categories. In some categories, national or well-known brands have been established and the competition among brands are extremely fierce; while in some other categories, brand recognition even for the leading brand is very low and well-known brands are yet to be created. Obviously, consumers' evaluations

towards an extension may differ in low and high competition markets. In addition, the type of extension products may also play very important role in developing countries. For example, the low income may make consumers less accessible to durable goods and lead to a much higher involvement for the purchases of durable goods. Therefore, consumers' evaluations of the brand extension may vary greatly between durable goods extension and non-durable goods extension.

Combining all these thoughts and facts together, an extended brand extension model is proposed (Figure 4.2). The model is built upon Aaker and Keller's basic model but some new dimensions are introduced, therefore it is an extension to the former model. In the extended model, there are five main factors that are considered to affect the evaluations of brand extensions, or more broadly, to determine the extendibility of a brand name. They are: consumers' attitudes towards the parent brand; the fit or similarity between the original product class and extension product class; the fit between the image of the parent brand and the extension concept; the characteristics of the extension product; the characteristics of the extension product market.

Figure 4.2 Extended brand extension model



Note: —————> indicates direct effect; ——— indicates interactive effect; .....> indicates the moderating effect.

### 4.3 Hypotheses Based on the Basic and the Extended Models

#### 4.3.1 Consumers' Attitudes toward the Parent Brand

Attitude is a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object (Fishbein and Aizen, 1975) and it includes cognitive, affective and behavioural components (Hawkins et al., 1995). Among the three components, the affective, which represents consumers' feelings or emotional reactions to an object, is considered to be the core part or most important part of attitude (Mowen, 1993). Due to this, in marketing and branding literature, many authors use the terms of "liking" or "overall preference" to describe or approximately reflect consumer's attitudes (e.g., Shocker and Srinivasan, 1979; Broniarczyk and Alba, 1994; Park and Srinivasan, 1994).

As consumers' attitudes toward a product become more favourable, product usage tends to increase. And as attitudes grow less favourable, usage tends to decline until people actually stop buying the product (Achenbaum, 1966). Therefore, Attitude is regarded as the most accurate predictor of actual buying behaviour (Berkman and Gilson, 1986). In Fishbein Buying Intention Model (Fishbein and Aizen, 1975), buying intention, which directly affects purchasing action, is determined by consumer's attitude and subjective norms. Here, attitude is not viewed as a direct determinant of a buying behaviour though, its effects to behaviour prediction are still great.

In Aaker and Keller's (1990) study, attitude is conceptualised in terms of the consumer's perception of the overall quality of the brand, termed **QUALITY**. Although there are many other attitude dimensions (refer to Hawkins et al., 1995), perceived quality is a very important one. Zeithaml (1988) defines it as a global assessment of a consumer's judgement about the superiority or excellence of a product. She concludes, after reviewing a set of articles, that perceived quality is at a higher level of abstraction than a specific attribute of a product (ref. Aaker and



Keller, 1990). In a brand extension context, the impact of perceived quality on the attitude toward the extension should be unambiguously positive. If the brand is associated with high quality, the extension should benefit; if it is associated with inferior quality, the extension should be harmed (Aaker and Keller, 1990). This leads them to propose that higher quality perceptions towards the original brand are associated with more favourable attitudes towards the extension.

However, Aaker and Keller (1990) did not find direct supportive evidence to this hypothesis. Their conclusion is that, high perceived quality of the original brand will lead to favourable evaluation to the extension only when the fit or similarity between original product and extension product is high. In other words, if there is no fit or lack of fit between the two product categories involved in brand extension, even high quality of the original brand can not ensure the success of the extension. Sunde and Brodie (1993) replicated Aaker and Keller's study in New Zealand. Their study found that perceived quality to the original brand has a direct effect on consumers' evaluations of brand extensions, therefor support the above hypothesis. Here, some methodological and cultural concerns are raised (Aaker and Keller, 1993). Is there any cultural or methodological factor that could be attributed to the differing findings among these two studies?

In both Aaker and Keller study and Sunde and Brodie study, the multicollinearity between the main variables and interaction terms is high and this may have confounded the results. To address this problem, Keller and Aaker (1992) conducted another experimental study and found that high quality brands can be stretched farther and extended into more dissimilar categories. But, when an extremely dissimilar proposed extension was introduced, consumers' evaluations to high quality brand decreased in a manner consistent with Aaker and Keller's (1990) previous findings. And this again suggests QUALITY along could not guarantee the success of the extension.

Bottomley and Doyle (1996) also replicated the Aaker and Keller's study in UK. To tackle the multicollinearity problem, 'residual centring' regression approach was employed in their study. They used this approach to analyses both the data collected by themselves in UK and the data by Sunde and Brodie in New Zealand. Their study revealed great consistency between UK and New Zealand findings and again provided the supportive evidence to the above hypothesis. And this lead them to concluded that the differing results on QUALITY dimension between Aaker and Keller study and Sunde and Brodie study is not because of different stimuli (both parent brands and extensions), but mainly of the high degree of multicollinearity in the models.

On the whole, it seems that the supportive evidences to Aaker and Keller's original hypotheses are more compelling. Thus, in developed countries, consumers' brand extension evaluation is directly associated with the perceived quality of the parent brand.

In developing countries, consumers may be less knowledgeable than their counterparts in developed countries. As the less knowledgeable consumers more depend on the external cues such as the reputation of the brand name to infer the product quality (Stokes, 1985), thus, the perceived quality of the parent brand as a very prominent cue will have direct influence on consumers' brand extension evaluation.

**Hypothesis 1 In developing countries, higher quality perceptions towards the parent brand are associated with more favourable attitudes towards the brand extension.**

#### **4.3.2 Fit between the Original and Extension Product Categories**

As mentioned in Chapter two, fit or similarity between the original and extension product classes is considered to be very important to consumers' evaluations of brand

extensions. Aaker and Keller offered two reasons why fit should be important to an extension. First, the transfer of the perceived quality of a brand will be enhanced when the two product classes in some way fit together. And this is thought to be compatible with several theoretical perspectives including cognitive consistency, stimulus generalisation, and categorisation theory. Second, a poor fit may not only detract from the transfer of positive associations, but may actually stimulate undesirable beliefs and associations. Based on these they proposed that the fit between the two involved product classes has a direct positive association with the attitude toward the extension, and that the transfer of a brand's perceived quality is enhanced when the two product classes in some way fit together.

There are many dimensions of fit between two products. For example, product pairs can be perceived to fit in terms of their usage contexts, their common benefits offering to customers, their shared or related manufacturing and marketing expertise and so on. Aaker and Keller (1990) developed three fit measures.

The first fit measure is so called TRANSFER that reflects the perceived ability of any firm operating in the first product class to make a product in the second product class. As Aaker and Keller stated that, if consumers feel that the people, facilities and skills a firm uses to make the original product is helpful, the favourable attitude or associations about the original product may transfer to the extension; or else the transfer may be inhibited.

The second fit measure is COMPLEMENT which indicates the extent to which consumers view two product classes as complementary. Products are considered complements if both are consumed jointly to satisfy some particular need. For example, pen and ink are generally considered to be more complementary than pen and watch.

The third fit measure is SUBSTITUTE which indicates the extent to which consumers view two product classes as substitutes. Substitute products tend to have a

common application and use context such that one product can replace the other in usage and satisfy the same needs. In the prior mentioned example, while pen and ink are considered as complementary, pen and pencil are regarded as substitutes. In economics, two products are considered complements if the increase of the demand for one product could lead to the increase of the demand for another product. While two products to be substitutes if the increase of the demand for one product leads to the decrease of the demand for another produce. And, usually, the cross demand elasticity of the two products is used to measure complementary or substitution degree.

All the studies (Aaker and Keller, 1990; Sunde and Brodie, 1993; Bottomley and Doyle, 1996) supported the hypothesis that fit between the two involved product classes have a direct influence on consumers' attitude formation towards the extension. However, to another hypothesis that fit moderates the effects of the perceived quality of the parent brand, some incongruities appeared. While Aaker and Keller's study supported this hypothesis, Sunde and Brodie's study failed to support it. As the high multicollinearity existed in these two studies may confound the results, Bottomley and Doyle re-analyse Sunde and Brodie's data set as well as the data collected in UK by using 'residual centring' regression approach. Their study revealed both the data sets supported Aaker and Keller's original hypotheses. Thus, again, supportive evidences seem more compelling.

In developing countries, the rationales offered by Aaker and Keller are also in existence. Thus, we propose that:

**Hypothesis 2 In developing countries, the fit or similarity between the original product category and the extension product category will be positively related to the evaluation of the extension**

**Hypothesis 3** In developing countries, the transfer of a brand's perceived quality is enhanced when the two product categories in some way fit together; when the fit is weak, the transfer is inhibited.

#### **4.3.3 The Congruity between the Associations of the Parent Brand and of the Extension**

As noted previously, established brands especially those famous brands usually carry with them a set of associations. These associations may be based on specific product features or emotional and symbolic image variables. A brand whose associations are related with more abstract attributes like prestige, style, or durability may be more extendible than one with strong associations with specific product features (Park et al., 1991; Bridges, 1992; Rangaswamy et al., 1993). In many instances, brand associations may dominate the effects of brand affect and category similarity, particularly when consumer knowledge of the brands is high (Broniarczyk and Alba, 1994). This suggests that, through benefit related associations an extended brand may compensate for its lack of category similarity. In other words, consumers may form their attitudes toward the extension basing on a broad sense of "fit" instead of limiting the fit concept in the narrow sense of category similarity.

For example, if separately evaluated, carbonic water and sports wear or sports shoes may be not necessarily considered to have a good fit by consumers. However, if some brand with strong sporting associations in carbonic water category is attached, the overall fit between this specific branded water and the associations of sports wear or sports shoes may be established and greatly enhanced. Therefor, the fit or congruity between associations of the parent product and extension product on brand level should be taken into account.

Generally, similar to the situation of category similarity, if the associations stimulated by the extension are congruous with the associations or image of the parent brand, consumers are more likely to form a favourable attitude toward the extension; if the

incongruity exists between the associations of the parent brand and of the extension, consumers may be more likely to form a less favourable attitude toward the extension. Moreover, the lack of the fit between the image of the parent brand and the stimulated associations of the extension may inhibit the transfer of the perceived quality of the parent brand to the extension product. This line of thoughts is also consistent with several psychological perspectives. For example, according to cognitive dissonance theory (Festinger, 1957), once dissonance exists between two cognition, consumers will feel uncomfortable and be apt or inclined to reduce or diminish cognitive dissonance by a variety of ways. To keep cognitive consistency, one way is to change the attitude to one object in cognition. In the context of brand extension, if consumer feel great incongruity between the image of the parent brand and the associations of the extension, he or she may either change the attitude to the parent brand or change the attitude to the extension. Because consumers' attitudes toward the parent brand are usually based on their frequent contacts or experiences with it and are more difficult to change, it is more likely that consumers form less favourable attitudes to the extension in the case of low or poor fit. Further, according to assimilation-contrast theory (Anderson, 1973), while the dissonance is in a medium level, consumer may act as what the cognitive dissonance theory predicts; but when the dissonance is in a high level, consumer may exaggerate the actual dissonance level and make excessive reactions. This means that when the fit is in a very poor state, consumers may not only form unfavourable attitudes to the extension but also may form distorted perceptions about the parent brand. Basing on these analyses, following hypotheses are developed. Although these hypotheses may also apply to the developed countries, as no attempts of testing them in developed economies have ever made, here we assume that they hold at least in developing economies.

**Hypothesis 4** In developing countries, the congruity between the overall image of the parent brand and the associations attached to the extension will be positively related to the evaluation of the extension.

**Hypothesis 5** In developing countries, the transfer of a brand's perceived quality is enhanced when the overall image of the parent brand and the associations attached to the extension are in congruity.

#### **4.3.4 Chinese Culture Effect**

Culture consists in patterned ways of thinking, feeling and reacting and the essential core of culture consists of traditional ideas and especially the attached values (Kluckhohn, 1991). Each culture has its own characteristics which shape the thinking and behaviour of the people living in it. In a Chinese cultural context, as described in Chapter three, there are many dimensions or cultural characteristics that may affect consumers' evaluations towards brand and brand extension. Among them, the emphasis of the group interests, group norms, and the personal reputation; the intuitive and holistic thinking may be very relevant in consumers' brand evaluation.

In a culture where much importance of group interest, group value and personal reputation is attached, consumers are more likely to be influenced by others, especially by reference groups. A reference group may exert its influence on individual consumer through compliance, identification and internalisation (Antonides and Raaij, 1998). As a result, in Chinese culture, consumers' conformism in thinking and behaviour may be more prominent than in other cultures. Furthermore, the emphasis on developing harmonious relationships with the other members of the group, may make one's own opinion less important in evaluating a product or a brand. This reinforces consumers' conformism. In accordance with this line of thinking, following hypothesis is formulated.

**Hypothesis 6** In the context of Chinese culture, as a whole, consumers tend to evaluate brand and brand extension more conformably than in other cultural contexts.

Another important characteristic of Chinese culture is the intuitive and holistic thinking. That is, when observing an object or a phenomenon, much attention or emphasis is put on the relations of these parts as a whole instead of on the very separate parts themselves. As consumers living in this culture always try to establish relations among different phenomenon based on their experiences, in the case of brand extension, they are more likely to evaluate the extension based on a whole concept that combine such factors as brand image consistency, product benefits, usage context, producer's credibility etc. together instead of on one or several prominent factors. In other words, in Chinese culture, the synthesis effects among different considerations or factors are more likely to occur. This leads to the following hypothesis.

**Hypothesis 7 In the context of Chinese culture, the interaction effects between the perceived quality of the parent brand and three fit variables TRANSFER, COMPLEMENT, SUBSTITUTE are more likely to occur than in other cultural context.**

#### **4.3.5 The Competitive Intensity of the Extension Product Market**

Sullivan (1992) used a longitudinal/ cross-category sample of frequently purchased US packaged goods over the period of 1950-1978 and explored whether brand extensions should be introduced early or late in the life cycle of a product category. She found that, managers have on average been right to use new brands in new categories and brand extensions in mature categories. Her interpretation is that firms are reluctant to risk existing brand equity in new categories, which also requires flexible positioning; these factors tend to favour new brands for new categories. Conversely, in a more stable mature market, the cost efficiency of brand extensions tends to dominate.

Using her findings as a start point, a relevant but different question is raised: is there any difference of acceptance to brand extension from consumer's side between



different maturity levels of the extension product market? In other words, does consumer differ in evaluating brand extension between a more competition-intensified market and a less competition-intensified one? In most developing countries, especially in China, as evidenced in Chapter three, some industries or product categories have been dominated by several powerful brands while in some other categories, there are many brands competing and dominant or powerful brands yet to be developed. So, the question raised here is especially relevant in developing economies.

From a consumer's perspective, before making a purchasing decision, he or she has a consideration set (Kotler, 1994). In more competition intensive market, some highly regarded or dominated brands form a barrier to prevent other competitive brands from entering consumers' consideration set. Powerful or highly favoured brands may increase consumers' expectation of the general product benefits of the category on one hand, and act as referents and stimulate the curiosity or even doubt to the possibility of whether the extension could bring the equivalent product value. Therefore, in a more competition intensive market, it seems that brand extension is less likely to be favoured. In contrast, in a less competition intensive market, where many brands competes but few are familiar to most consumers, the acceptance or success probability of the extension may be higher. This leads to the following hypothesis.

**Hypothesis 8 In developing countries, the evaluation of brand extension is closely linked to consumer's perception to the competition intensity of the extension product market.**

**Hypothesis 8A In developing countries, the extension evaluation is negatively linked to consumer's perception to the competition intensity of the extension product market.**

From an information processing perspective, in a more competition-intensified market where some highly regarded brands exist, consumers may feel less needed to actively search for and process information. Because, they either have restored enough information in their memories about existed brands or they are very confident in the information they have. In other words, due to consumer's favour to and confidence in the current brands in the market, their motivation to process information may be reduced. In brand extension context, this means that the positive associations of the parent brand may be less likely to transfer to the extension. In contrary, in a less competitive intensified market, consumer's motivation to process information is higher, therefor the positive association of the parent brand may be transferred to the extension as expected. This leads to the following hypothesis.

**Hypothesis 8B In developing countries, the transfer of the perceived quality from the parent brand to the extension is enhanced when the competition intensity in the extension product market is low; the transfer is inhibited when the competition intensity is high.**

#### **4.3.6 The Characteristics of Extension Product**

Nijssen, Uijl and Bucklin (1995) explored the effect of involvement on brand extensions. Their study shows that consumers evaluate high and low involvement extension products differently. Specifically, high involvement extension products are primarily evaluated based on the supplier's perceived ability to manufacture the new products while in evaluating low involvement extension products consumers tend to look more broadly for fit. This suggests that product characteristic is a moderating variable that affect consumer's evaluation of brand extension.

Actually, there may be many characteristics of the extension product that affect the success of the extension. For example, is the extension product difficult or easy to make? is the extension product symbolically driven or functionally driven? Is it durable or non-durable? Is it luxury or mass-consumption product? These may all

have some impacts on consumers' evaluations toward the extension (Roux, 1995; Tauber, 1993; Aaker and Keller, 1990). In this study, we only examine two aspects of this dimension. That is, how the perceived difficulty of making the extension affect consumer's brand extension evaluation, and do consumers differ in evaluating brand extension between durable and non-durable extensions?

#### **4.3.6.1 The Difficulty of Making the Extension Product**

Aaker and Keller(1990) contended that, when consumers perceive the extended product to be "trivial " or very easy to make, a potential incongruity occurs. This incongruity itself may trigger a rejection or it might lead to a judgement that the brand name will add a price higher than is justified and necessary for such a product. Based on this, they proposed that the relationship between the difficulty of making the product class of the extension and the attitude towards the extension is positive.

While the Aaker and Keller study (1990) support this hypothesis, the Sunde and Brodie study and Bottomley and Doyle study failed to support it. This leaves Aaker and Keller's result inconclusive. Perhaps, in highly industrialised countries, even products such as cars, computers and watches are not necessarily perceived to be sophisticated to make. And therefor, for two specific products of different categories, the manufacturing difficulty gap may be not perceived as large as they are perceived in developing countries. In this surrounding, extending a brand name from one category to another, in most cases, may not trigger a big concern from the consumer's side. Another possible explanation, perhaps a more cogent one, is that in developed countries, consumers are well protected and they may have little worry or fear of being cheated and exploited.

In contrast, in most developing countries, faked or bogus products, low quality products and deceptive business practices are not uncommon. As a result, consumers especially those with higher education, are more cautious and suspicious. If a firm extend its established brand name to some trivial products, consumer's doubts are

easy to be elicited. Thus, for consumers in developing countries the difficulty of making the extension may be a very prominent consideration in evaluating brand extension.

**Hypothesis 9 In developing countries, the relationship between the difficulty of making the extension and the attitude towards the extension is positive.**

#### **4.3.6.2 The Type of the Extension Products: Durable vs. Non-durable**

Durable goods are those that normally survive many uses while non-durable goods are those that normally are consumed in one or a few uses (Kotler, 1988). In developing countries, consumers usually spend the majority of the expenditure on food and other necessity of non-durable goods, leaving the expenditure on durable goods a very small portion. For instance, in China, urban households spend about 50% of the expenditure on food while the percentage rate is over 70% for the households in rural areas (Gan Biquan, 1997). This means that, buying a colour TV, a washing machine, a refrigerator or even a piece of quality clothe is a big decision for most of the households. Thus, consumer's involvement with durable goods generally is much higher than with non-durable goods.

In low involvement contexts, consumers' motivation to process information is low, and they are more likely to rely on perceived quality of the parent brand as a peripheral cue to make a judgement about the extension. In high involvement contexts, higher risk may be involved and consumers may need the reassurance of manufacturers' capabilities, therefor the fit between the original product category and the extension product category is expected to play a more important role in consumer's brand extension evaluation.

**Hypothesis 10 In developing countries, consumers differ in evaluating durable extensions and non-durable extensions**

**Hypothesis 10A** In developing countries, the effect of the perceived quality of the parent brand on attitude formation towards the extension is greater for non-durable extension product than for durable extension product.

**Hypothesis 10B** In developing countries, the effect of TRANSFER on attitude formation towards the extension is greater for durable extension product than for non-durable extension product.

As in general, durable goods are perceived to be more complicated to make and extending an established brand name to durable product category is less likely to trigger consumer's worries or concerns about being exploited. This leads to the following hypothesis.

**Hypothesis 10C** In developing countries, the effect of DIFFICULT on attitude formation towards the extension is greater for non-durable extension product than for durable extension product.

#### **4.4 Conclusions**

There are many factors that may affect consumers' attitudes to brand extension. Aaker and Keller (1990) identified three important factors: the perceived quality of the parent brand; the fit or similarity between the original product class and the extension product class; the difficulty of making the extension. Basing on Aaker and Keller's model and other brand extension literature, we proposed an extended brand extension model for developing countries. Five dimensions or factors are identified to be very important in predicting the success of brand extension in the new model. They are: the consumer's attitude to the parent brand; the fit between the original product class and extension product class; the associations of the parent brand and their relevance to the extension; the competitive intensity of the extension product market; the characteristics of the extension product. In addition, culture is also

proposed to have some moderating effect on consumer's evaluation of the brand extension.

Based on the extended brand extension model, two sets of hypotheses are formulated. Hypotheses 1, 2, 3, and 9 are designed to test Aaker and Keller's Model (1990) in China. These hypotheses reflect the popular thinking in current branding literature of which factors are the determinants of consumers' attitudes towards brand extension. The rest hypotheses, namely Hypotheses 4, 5, 6, 7, 8 and 10 are developed mainly against the background of developing countries and Chinese culture. They are expected to shed insights to the understanding of the determinants of the brand extension in developing economies.

Specifically, Hypothesis 1 pertains to the perceived quality of the parent brand, Hypothesis 2 and Hypothesis 3 pertain to the fit between the original product class and the extension product class. Hypothesis 4 and Hypothesis 5 are pertinent to the congruity between the image of the parent brand and the associations attached to the extension. Hypothesis 6 and Hypothesis 7 are related to the effects of Chinese culture. Hypothesis 8 is linked with the characteristics of extension product market, or more precisely with the competitive intensity of the extension product market. Hypothesis 9 and Hypothesis 10 are associated with the effects of the characteristics of the extension product, i.e., how the difficulty of making the extension and the nature of durability of the extension product affect consumers' evaluations towards the extension.

## **Chapter 5 Methodology**

### **5.1 Introduction**

In order to test hypotheses formulated in Chapter 4, two separate studies are conducted. Study one, which is designed to test hypothesis 1, 2, 3, and 9, actually is a replication in China of Aaker and Keller's (1990) study, or more accurately a replication of Bottomley and Doyle's (1996) study which was based on Aaker and Keller's model but with a different analysis. Study two is designed to test the remaining hypotheses using a refined brand extension model for developing countries, particularly in the context of China situation.

The chapter is divided into two main sections. The first section presents the methodology of the replication study. Specifically, it introduces the 'etic' approach, the stimuli, the measurements of the variables of the model, the validity and reliability of the study, the questionnaire design, the data gathering process as well as the analysis methods used. The second section introduces the methodology of the extended study. In this section, the methodological commonalties of and differences between the replication study and the extended study are underscored, and the measures of model variables especially those of the variables not included in Aaker and Keller's basic model are highlighted.

### **5.2 Research Method in Replication Study**

#### **5.2.1 Cross-cultural Replication Study and the 'Etic' Approach**

Replication studies are very important method to verify or validate the findings of a study in a specific context, and to identify the generality of these findings across different contexts. Calls for replication study of those widely quoted researches in

different cultural contexts have been steadily growing in recent years (Barwise, 1993; Aaker and Keller, 1993; Hubbard and Armstrong, 1994).

In cross-cultural research, two alternative approaches, i.e., the 'emic' and the 'etic' approaches, are widely used (Pike, 1966). The former approach puts emphasis on studying the specific context of each culture, and on identifying and understanding its unique facets. On the other hand, the 'etic' approach is primarily concerned with identifying and assessing universal attitudinal and behaviour concepts, and developing culture-free measures. While both have advantages and weakness, from an international marketer's point of view, 'etic' approach is likely to be preferable. International marketer is primarily interested in identifying similarities across markets, since these offer opportunities for the transfer of products and services, and for the integration of strategies across national markets (Craig and Douglas, 1999).

The main objective of this project is to replicate Aaker and Keller's brand extension model, and identify which findings commonly observed in developed countries could be applicable to the developing countries. Thus, the focus of this study is on the congruities rather than the discrepancies of how consumers in different cultures evaluate brand extensions. Partly because of this, and partly because of the fact that similar method was assumed by other researchers (for example, Sunde and Brodie, 1993; Nijssen and Hartman, 1994), the 'etic' approach is used in this study. Recognising the limitations of this approach, the extended study is designed which aims to provide cross-examinations to the replication on one hand, and to improve the Aaker and Keller's model in the context of developing countries on the other.

### **5.2.2 Stimuli**

Using Aaker and Keller's criteria (i.e., relevance to the respondents, high quality, have a strong brand image, and have not been extended broadly before), the replication study attempts to choose six parent brands in China and extends each of them to three extension product categories. When the replication study was



conducted in 1994, the most brands used in Aaker and Keller's study was rarely heard of in China, so from the beginning, there is no attempt to equalise stimuli brands between these two studies.

However, in Choosing parent products and extension products, we make as much effort as possible to match them with those in Aaker and Keller's study. In spite of this, we found it is difficult or even impossible to fully assume the same product categories as those used by Aaker and Keller. For example, ice cream was chosen as original product in Aaker and Keller study, but in early 1990's it was mainly branded in local areas and national ice cream brands have yet to be developed in China. Same is true to sun-glasses which was also used as original product in Aaker and Keller's study.

The parent brands and the extension products are presented in Table 5.1. For comparison, Table 5.1 also presents the stimuli used by Aaker and Keller. The six parent brands chosen in this study are all famous in China. And they are either highly regarded in China or among the top three in terms of market share in their corresponding categories. For example, Toyota was among the top ten in the list of most famous foreign brands while Seiko was among the top 50 (Wang Lingang, 1994). Qing Dao beer, Jian Libao orange juice and Head & Shoulders shampoo are the number one selling products in their respective categories in 1993 while Liang Mian Zheng toothpaste took over 20 percent of market share and is only after another toothpaste brand Zhong Hua (China Top Brands, 1994).

### **5.2.3 Measures**

The dependent and independent variables used in the replication is the same as those in Aaker and Keller's model, and similar measurements to Aaker and Keller's are employed. The detailed descriptions of these variables and the corresponding measurement are presented in the following parts of this section.

**Dependent Variable** Consumers' attitude toward the extension, termed "attitude," is measured in two dimensions. One is overall perceived quality of the extension product and another is the purchasing possibility or buying intention to the extension product. 7-point Likert scales were used to assess the overall quality of the extension (1 = inferior, 7 = superior) and the likelihood of trying the extension assuming a purchase was planned in the product class (1 = extremely unlikely, 7 = extremely likely).

**Independent Variables** A 7-point scale measured the overall perceived quality of each parent brand, QUALITY (1 = inferior, 7 = superior). Another 7-point scale measured the difficulty in designing and making the extension product, DIFFICULT. Is the extension product difficult to make (1 = extremely easy, 7 = extremely difficult)?

Three fit variables, COMPLEMENT, SUBSTITUTE and TRANSFER were also assessed with 7-point Likert scales. Subjects assessed the extent to which the products were substitutes that they would select between in certain usage situations (1 = extremely low, 7 = extremely high) and complements that they would be likely to use together in certain usage situations (1 = extremely low, 7 = extremely high). The third scale measured the perceived transferability of a competent manufacturer's resources and expertise from the original product class to the extension product class (TRANSFER). Would the people, facilities, and skills used in developing, refining, and making the original product be helpful if the manufacturer were to make the extension product (1 = extremely unhelpful, 7 = extremely helpful)?

#### **5.2.4 Questionnaire Design and Data Gathering**

In cross-culture replication study, the need for translation of verbal instruments is widely recognised. There are two basic methods in translating a questionnaire: forward translation and back translation (Hambleton, 1993). In the case of forward translation, a single translator or group of translators, prepares a translation from the

source language into the target language. While in the case of back translation, a questionnaire is translated from the source language by a bilingual translator who is a native speaker of the target language into which the translation is being made. This version is then translated back into the source language by a bilingual who is a native speaker of that language. The two versions are then compared in the source language to check for errors and the quality of the translation (Craig and Douglas, 1999 pp.213-214). As several repeat translations and back translations may be necessary to develop equivalent questionnaires by using the later method, the process can be cumbersome and time-consuming (Malhotra, 1996).

In this study, a similar approach to forward translation is chosen. As the questionnaires used by Aaker and Keller and other authors (e.g. Sunde and Brodie) are not available, a direct translation is neither possible nor appropriate due to the differing stimuli used. To develop a comparable questionnaire, the constructs and terms used in the previous studies, especially by Aaker and Keller's, are carefully examined. Based on this, three similar Chinese questionnaires were developed. To enable the questions put in the questionnaire to capture the true meaning of the terms and constructs used in Aaker and Keller's study, very brief explanations are given for some terms that might be ambiguous under different language contexts. For instance, to the question of in what extent two products complement one another, some examples of high complementary paired products and low complementary paired products are provided. And this may make it clearer for respondents to capture the meaning of COMPLEMENT dimension. For purpose of comparison and checking, the Chinese questionnaires are back translated into English (see Appendix Four).

Each questionnaire includes two parent brands and six extensions. The parent brands and their corresponding extensions in each questionnaire are presented in Table 5.2. The questionnaire is designed into two main sections (see Appendix One and Appendix Four)\*. The first section pertains to the evaluation of the parent brand.

---

\* Appendix One presents the Chinese version while Appendix Two presents the English version of the questionnaires used in the replication study.

Specifically, two questions are raised to each parent brand in this section. One question concerns the subject's familiarity to the parent brand and another the subject's perceived quality of the brand. The second section pertains to respondent's evaluations of the extensions i.e. the perceived quality of the extension, and the likelihood of trying the extension if a purchase in the extension product class was scheduled; the evaluation of the fit between the original product class and extension product class; and the evaluation of the difficulty of making the extension products.

The survey was conducted in a university in China and respondents were second and third year undergraduate business students. The questionnaires were distributed to six classes by the researcher along with a colleague who taught the class. The research purpose was briefed before the questionnaire was assigned, and the respondents were encouraged to ask for clarification whenever needed. It took about ten minutes for most of the students to fill in all the questions. To minimise the possible interactions between different questionnaires and different classes, each questionnaire was assigned to around one third of the students in a class. Totally, 486 copies of the questionnaires were received. After preliminary checking, 17 were found to be either carelessly filled in or incomplete, and they were eliminated from further data processing. Thus, the valid samples are 469. As each respondent evaluates six brand extensions, this makes our study the valid cases 2814. Compared with evaluations of 20 extensions for each respondent in Aaker and Keller's study, the measurement burden for respondents in this study is greatly reduced.

### **5.2.5 Validity and Reliability**

Validity refers to the extent to which differences in observed scale scores reflect true differences among objects on the characteristic being measured, rather than systematic or random error (Malhotra, 1996). Put it another way, a measuring instrument is valid when it measures what it is supposed to measure. There are many approaches to the assessment of validity. These are: content validity; predictive validity; concurrent validity; construct validity; convergent validity, and discriminant

validity (Weisers, 1988). In this study, content validity and convergent validity approaches are applied.

The procedure of developing instrument measurement in this study is as following. 1) The constructs used in brand extension field were examined through a thorough review of relevant literature, and clarifications were made to some constructs by consulting experts in branding area. Then, the underlying construct of this project was specified, i.e., the determinants of consumers' evaluation towards brand extension. 2) The relevance to China situation of the instruments used by Aaker and Keller was discussed through interviewing three Chinese academicians in branding, consumer behaviour or marketing research area. In this way, some fresh insights into the subject field were obtained. For example, an interviewed researcher suggested that, in a holistic thinking dominated culture, the 'fit' concept by Aaker and Keller may be not broad enough to capture the actually perceived fit between a brand and its proposed extension. This leads to a new dimension, i.e. consistency between the image of parent brand and the associations attached to the extension, to the extended model. 3) A similar questionnaire to Aaker and Keller's was designed and the establishment of external validity of the measurements of the instruments was attempted. It was found, through reviewing both English and Chinese literature, that most of the concepts and terms used by Aaker and Keller are not culture specific but are easily understood by Chinese people. For example, the equivalent concepts, such as buying intention, perceived quality, difficulty of making a product, are all widely used in Chinese textbooks and research literature (Tian Zilong 1990; Li Pinyuan, 1993). The two concepts that might have differing meanings to ordinary Chinese people, one researcher suggested, are 'COMPLEMENT' and 'SUBSTITUTE' due to their imported nature. As the intended respondents are business undergraduates and they are all familiar with these two concepts taught in basic economics courses. Therefore, some degree of equivalence could be established. 4) Again, the appropriateness of the initially designed questionnaire was consulted and discussed with the previously mentioned experts, and some minor adjustments in wording and the way of questioning were made. 5) An extended study of slightly different method

was designed, which was to assess the validity of the results of the replication. Because, different research methods can complement each other and increase the likelihood that their combined results will have validity (Weisers, 1988).

In cross-cultural research, there are a number of ways in which reliability can be examined. These include: test-retest reliability, alternative-forms reliability, and internal consistency reliability (Malhotre, 1996). "Examination of reliability based on the first two criteria is preferable in cross-cultural research, since internal consistency measures may reflect sampling difficulties, as well as those arising from the instrument. This does, however, substantially increase costs, as well as increasing the burden of data collection and incurring delays in data processing. Consequently, most attention focus on internal measures of reliability." (Craig and Douglas, 1999)

In both replication study and subsequent extended study, single item scales rather than multi-item scales are used for most of the measures, and this makes the use of Cronboch's alpha to examine internal consistency reliability impossible. There are several considerations for not using multi-item scales: 1) The replication nature of the study. 2) The minor importance of methodological differences in explaining the discrepancies of the findings of the previous studies (Bottomley and Doyle, 1996). 3) The use of the extended study provides greater confidence in the validity and reliability of the convergent results (Craig and Douglas, 1999).

In fact, the differences of the average measures between the replication and the extended studies are minor (see Table 5.2). Given the differing respondents used and relatively long time interval between the two studies, it is more likely that the differences is mainly resulted from the factors other than the instruments and their measurements.

### 5.2.6 Data Analysis Techniques

To test hypotheses concerning the effects of the perceived quality of the parent brand, the fit between the two product categories and the difficulty of making the extension, the regression analysis technique was used as Aaker and Keller did in their study. Two regression models were estimated. In the first model, or main-effects-only model, the dependent variable was consumers' attitude towards the extensions which was operationalised by the average of two measures: the perceived quality of the extension and the likelihood of trying the extension. The independent variables are: the overall perceived quality of the parent brand (QUALITY), perceived difficulty of making the extension (DIFFICULT), and three fit variables TRANSFER, COMPLEMENT, SUBSTITUTE.

In the second model, or so-called full effects model, the dependent variable was the same as in the main effect only model, i.e., consumers' attitudes toward the extension or ATTITUDE. However, the independent variables included more. In addition to the five independent variables in the main effects only model, three interaction variables were added. They are: QUALITY  $\times$  TRANSFER, QUALITY  $\times$  COMPLEMENT, QUALITY  $\times$  SUBSTITUTE. The aim to add these three interaction variables in the model is to test H3, i.e. explore whether the fit variables have moderating effects on the transferability of the perceived quality of the parent brand to the extension.

In Aaker and Keller's study (1990), the correlation between three fit variables TRANSFER, COMPLEMENT, SUBSTITUTE and the corresponding interaction variables QUALITY  $\times$  TRANSFER, QUALITY  $\times$  COMPLEMENT, QUALITY  $\times$  SUBSTITUTE were not reported. In Sunde and Brodie's study (1993) and other replication studies, high collinearities between these variables were found. This suggests that the results in Aaker and Keller's study may be not robust. To address this problem, following Nijssen and Hartman (1994) and Bottomley and Doyle (1996) propositions which addressed similar methodological concerns, the Lance (1988) 'residual centring' regression approach was used.

In relation to Ordinary Least Square (OLS) regression approach, “residual centring” regression approach could: 1) substantially reduces the multicollinearity between the exogenous variables; 2) reduces the standard errors; 3) separates main and interaction effects and 4) enables the relative importance of the main and interaction variables to be identified (Lance, 1988 but ref. Bottomley and Doyle, 1996).

The ‘residual centring’ regression approach is a two stage process. In stage 1, the interaction term, (*QUALITY* × *FIT*) is regressed on the individual variables from which it is composed using ordinary least squares. As the data for *QUALITY* and *FIT* (such as the fit variable *TRANSFER*) are available, it is easy to get the prediction value of *QUALITY* × *FIT* by using regression equation (5.1). Subtract the prediction value from the observation value by using equation (5.2), then the residuals of *QUALITY* × *FIT* are acquired. The residuals of *QUALITY* × *FIT* capture the variance associated with the interaction term that is not explained by the two component variables *QUALITY* and *FIT*.

$$QUALITY \times FIT (prediction) = a1 + a2 \times QUALITY + a3 \times FIT \quad (5.1)$$

$$QUALITY \times FIT (resid) = QUALITY \times FIT (observation) - QUALITY \times FIT (prediction) \quad (5.2)$$

In stage 2, the residual term *QUALITY* × *FIT* (resid) is then substituted directly for the original interaction term (*QUALITY* × *FIT*) into the full effects model and estimated using OLS, thereby surmounting the multicollinearity problem as follows:

$$Attitude = b1 + b2 \times QUALITY + b2 \times FIT + b3 \times QUALITY \times FIT (resid.) \quad (5.3)$$

In this replication study, the corresponding residuals for three interactions *QUALITY* × *COMPLEMENT*, *QUALITY* × *SUBSTITUTE* and *QUALITY* × *TRANSFER* are reported in Table 5.5.



In order to see how “residual centring” regression approach change the analysis results, the OLS regression approach is simultaneously used to estimate the full effect and main-effect-only models. Thus, in the replication study, four models are estimated: two by using OLS technique and other two by using “residual centring” technique.

### **5.3 Research Method in the Extended Study**

#### **5.3.1 Measures**

In the extended model, in addition to the variables in the Aaker and Keller’s basic model, two new independent variables are added. One newly added variable is the consumer’s overall perception of the consistency between the image of the parent brand and the associations attached to the extension, termed IMAGE. Another new variable is the consumer’s perception of the competition intensity of the extension product market, termed COMPETITION.

For the variables in both the basic model and extended model, they are measured actually with the same constructs as in the replication study. The only exception is dependent variable “Attitude”. The replications of Aaker and Keller’s study in developed countries unanimously pointed to the fact that the two measures of ATTITUDE proposed by Aaker and Keller, i.e. the perceived quality of the extension and the buying intention of the extension, have relatively low correlation, and therefore the development of other alternative measures is needed. In response to this, new measures of ATTITUDE will be introduced based on the previous studies and a small sampled survey. In sum, subsequently highlighted are the measures of the dependent variable ATTITUDE and two newly added independent variables IMAGE and COMPETITION.

### 5.3.1.1 Consumers' Attitudes towards Brand Extension

Various measures were used in current branding literature to gauge consumers' attitudes towards brand extension. For example, Aaker and Keller (1990) use trial probability or purchasing intention and perceived quality of the extension to measure consumers attitude towards brand extension; Broniarczyk and Alba (1994) use "preference" to the extension and "comparison" between the extension and the other competing brands in the extension product market to measure it; while Park and colleagues (1996) use "likeness" and "favourability" to measure "attitude."

As stated early, according to Fishbein and Ajzen attitude model, buying intention is jointly determined by "Attitude" and "Subjective Norms", and in some cases "attitude" may not be the most important influential determinants of buying intention. Perhaps, that is why in all the replications of Aaker and Keller's model, the correlation between the two measures of "attitude," buying intention and perceived quality are relatively low. Particularly in Roux's study, the correlation between these two measures is as low as 0.34.

In this study, we use overall perceived quality of the extension (termed QUALITY) and consumers' overall preference to the extension (termed PREFERENCE) to measure consumers' ATTITUDE toward brand extension. There are three main reasons to choose these two constructs. First, as mentioned above, they are both used frequently by other researchers. Second, perceived quality is considered as a global assessment of a consumer's judgement about the superiority or excellence of a product, and at a hither level of abstraction than a specific attribute of a product (Zeithaml, 1988). Third, it is consistent with modern attitude theory. For example, Thurstone (1931) defines attitude as "affect for or against psychological object." Raven and Rubin (1983) see attitude as our evaluations of objects, our "likes and dislikes" while other authors ( Eagly and Chaiken, 1993; Olson and Zanna, 1993; Tesser and Shaffer, 1990) view it as 'a psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour.' In other

words, consumer's preference based on his evaluations of some aspects of the objects is the essence of attitude. In the context of brand extension, quality perception toward the extension may form the basis of preference and in this sense we expect they have a relatively high correlation.

To test in what extent these two measures QUALITY and PREFERENCE correlate, a simple survey is conducted. In the survey, three brands Seiko, Liang Mian Zheng and Jie Libao were used (see Appendix two and Appendix Five). The subjects are university undergraduate students similar to those the formal survey is intended to. Totally, 21 valid copies of the questionnaire were obtained, making cases of 63. Correlation analysis showed that the correlation between QUALITY and PREFERENCE was 0.709, reasonably high. Thus, they were used as the measuring construct of ATTITUDE.

#### **5.3.1.2 The Consistency between the Image of the Parent Brand and the Associations Attached to the Extension**

Brands especially the well known brands often carry with them a set of brand associations. Some associations are closely attached to the brand while others are loosely attached. It is those closely attached associations that form the basis of a brand's image. For example, in Chinese consumers' eyes, McDonald may be associated with "fast food, American, clean, friendly, expensive, children" and something like. As these associations are almost all positive, therefore, the image of McDonald undoubtedly is favourable in China. In the context of brand extension, some less prominent and less attached associations of the parent brand or some new associations may be stimulated at the very moment consumers evaluate the extension. Among these stimulated associations, some may be consistent with the core associations of the parent brand while the others may be not. As a whole, consumers may form an overall impression or evaluation as to whether these stimulated associations are compatible or not with the image of the parent brand. When they are compatible, as discussed previously, consumers are more likely to form a favourable

attitude towards the extension; when they are incompatible, consumer are more likely to form a less favourable attitude towards the extension.

There may be many ways to measure the consistency or inconsistency between the image of the parent brand and the associations stimulated by the extension. For example, the main associations attached with the extension could be solicited and then their consistencies with the image or core associations of the parent brand could be obtained by inviting consumers to make evaluation one by one. Another way is simply to ask respondents to judge the overall consistency between the image of the parent brand and the associations attached with the extension. The first approach could obtain more detailed information both about the parent brand and the extension and may be more useful, however, as it is more complex and burdensome for the respondents, in this study we choose the latter approach. Specifically, consumers are asked in seven point Likert scales to evaluate the consistency (1 = highly inconsistent, 7 = highly consistent).

### **5.3.1.3 The Competition Intensity of the Extension Product Market**

As discussed early, competition intensity in the extension market may affect consumer's brand extension evaluation in two aspects. On one hand, competition intensity may affect or determine consumer's consideration set, which in a large part influences consumer's evaluative criterion. On the other hand, existing brands may act as referents when consumer evaluate the extension. If some of the existing brands are very strong and highly favoured, consumer may be curious or even doubt about the possibility of delivering equivalent value or specific product features for the firm of using the extension. Further, from psychological perspective, in this instance, highly favoured brands may inhibit the active information processing, and therefore the transfer of the positive associations from the parent brand to the extension may be also hindered. Thus, in general, a less competitive intensity market should favour more positive attitude towards the extension.

In economics, competition intensity is closely related to “market dominance” or “market power.” Where a very few firms dominate the market, i.e., the market dominance is high, the competition intensity is considered to be low, and vice versa. As either the number of the firms in a market nor the market shares of the major firms along can tell how dominated a market is, some concentration indices are used (Fishwick 1993).

Undoubtedly, the understanding of competition intensity in this way is relevant and correct from economists’ or policy makers’ perspective, However, from marketer’s perspective, the competition intensity may be not fully consistent with this. According to product life cycle (PLC) theory, products or product categories have a limited life and they usually experience four stages known as introduction, growth, maturity and decline. In general, during the last two stages, competition is considered to be more intensified due to overall market decline, overcapacity and world-wide competition (Kotler, 1988). In reality, the intensified competition during the later stages of the PLC often coincide with several firms or several brands’ dominance in the market (Philip, 1986). Thus, in this sense, an oligarchically structured market or more maturing market in which several brands dominate does not necessarily mean the reduction of competition.

From new entrants’ angle, two dimensions are very important in assessing how intensified the competition is. The first dimension is whether there are powerful brands in existence in the targeted market. In developing countries, even for maturity products in western society, they either are approaching maturity or are in their infancy or growth stage. In the former case, the number of competing brands may be not huge, but some powerful brands dominate the market. For example, in China’s cola and coffee markets, two or three big brands explain over 80% of the market share, and they are enormous threats to the new entrants. In the latter case, there may be many brands competing with one another but none or very few are famous nation-wide. Obviously, in these two different cases, competition intensity varies and the former type market is more competitive thrilling, especially from the new

entrant's perspective. To capture this dimension of COMPETITION we use measure COMPETITION ONE which refers to the dominance of the existing brands in the extension product market. The evaluation statement for this measure is put this way: there is (are) highly famous brand (brands) in the extension product market (1 = strongly disagree, 7 = strongly agree). The second dimension is how consumers perceive the existing brands. Do they like or in what extent they like the existing brands? Are they loyal to the existing brands or are they ready to switch to the new brands? To capture this dimension of COMPETITION, we use COMPETITION TWO. The evaluation statement for this measure is: there is no or few brands I like very much in the extension product market (1 = strongly agree, 7 = strongly disagree). COMPETITION ONE and COMPETITION TWO then are averaged to form an overall measure of COMPETITION.

#### **5.3.1.4 The Summary of the Measures**

Table 5.4 summarises the variables and their measures in the extended model.

#### **5.3.2 Stimuli, Questionnaire Design and Data Gathering**

Six parent brands were chosen and each of them was extended to three extension product categories. The six parent brands and their corresponding extension products are identical to those in the replication study (see Table 5.1). As the extended study was conducted in 1998, some changes in markets have been taken place since the replication study was conducted in 1994. However, the six parent brands chosen are still popular and famous in China. For example, Jian Libo and Qing Dao are the number one selling products in their respective markets while Liang Mian Zheng and Head & Shoulders are number three (Tang Yuhao and Qi Chen, 1997). Toyota and Seiko are also well known brands, especially in urbane area (Gallup China, 1998).

Similar to the replication study, three questionnaires were designed in Chinese and each questionnaire included two parent brands and six extensions. The parent brands

and their corresponding extensions are the same as those described in the replication study (Table 5.3). The main changes were made in three aspects (see Appendix three) when compared with the questionnaires in the replication study.

First, the variable of TRY or possibility of trying the extension was replaced by the variable of PREFERENCE, or the preference to the extension. Because, the low correlation observed in the replication study between the measure TRY and the measure of the perceived quality of the extension indicted that these two may be distinctive measures and are not appropriate to be combined to form a whole measure of the attitude.

Second, some new questions were added. Specifically, three new questions were put in the questionnaire of the extended study. These three questions were designed to measure consumers' perceptions of how the extension is consistent with the image of the parent brand, and how consumers evaluate the competition and the existing brands in the extension product market. The first new question is that: how is it consistent between the image of the parent brand and the associations stimulated by the extension (1 = highly inconsistent, 7 = highly consistent)? The second new question is whether the extension product market is dominated by several well-known brands (1 = strongly disagree, 7 = strongly agree). The third new question is whether there are brands in the extension product market that consumer very much likes (1 = strongly disagree, 7 = strongly agree).

Third, in the questionnaire of the extended study, consumers' evaluations on TRANSFER and DIFFICULT are not linked with specific brand while in the replication study only DIFFICULT was not linked with specific brand. The major consideration is that, if TRANSFER is linked with specific brand, some associations of the parent brand will be attached to this measure, therefore it may partially capture the effect of IMAGE which is used to explore the effect of the associations of the parent brand in the extended study.

The respondents were second and third year undergraduate business students. The similar administration procedures to those of the replication study were used. Specifically, questionnaires were assigned to the students of four classes by the researcher alone or by the researcher along with a colleague who taught the class. Each of the three questionnaires was distributed to around one third of the students in the same class. The research purpose was briefed before questionnaire was distributed, and clarifications were provided to some key concepts or terms during the fill-in period. It took about 15 minutes for most of the respondents to finish the questionnaire. Totally 261 students participated in the survey. Among the received questionnaires, 9 were considered to be invalid due to incomplete or careless answers. Thus, the valid sample is 252. Among them, 157 are male and 95 are female. As each respondent evaluate 6 extensions, this makes the extended study valid cases 1512.

### 5.3.3 Data Analysis Process

***Descriptive and Correlation Analysis*** The aim of descriptive and correlation analysis is to obtain the general data characteristics of each variable and the relation pattern of the variables. This helps better understand the relationships of the variables and explain the results of the further quantitative analysis in the subsequent steps. Through descriptive and correlation analysis, the mean, standardised deviation as well as the correlation of the variables in the extended model are obtained.

***Regression Analysis*** The aim of regression analysis is twofold. First, to re-test those hypotheses which have been tested in the replication study and to provide cross validation to the findings in the replication. Second, to test the rest of the hypotheses that have not been tested in the replication study and to gain new understanding to how consumers in developing economies evaluate brand extension.

To achieve these two purposes, four regression models are estimated. The first two models are so called main-effect-only basic model and full effect basic model. These



two models serve to the first purpose, i.e., to provide cross validation to the findings of the replication study. The dependent variable in these two models is the same: consumers' attitudes toward the extension, termed ATTITUDE, which is the average of consumers' preference towards the extension and the perceived quality of the extension. The independent variables in main-effect-only basic model are: QUALITY of the parent brand, DIFFICULT, TRANSFER, COMPLEMENT, SUBSTITUTE. While in full effect basic model, three interaction variables QUALITY  $\times$  TRANSFER, QUALITY  $\times$  COMPLEMENT, QUALITY  $\times$  SUBSTITUTE are added, in addition to those included in the main-effect-only basic model.

The second two models are so called main-effect-only extended model and full-effect extended model. These two models serve the second purpose mentioned above. Again, the dependent variable in these two models is consumers' attitude toward the extension. In main-effect-only extended model, 7 independent variables are included. They are: QUALITY of the parent brand, DIFFICULT, TRANSFER, COMPLEMENT, SUBSTITUTE, IMAGE and COMPETITION. In full effect extended model, five interaction terms QUALITY  $\times$  TRANSFER, QUALITY  $\times$  COMPLEMENT, QUALITY  $\times$  SUBSTITUTE, QUALITY  $\times$  IMAGE, and QUALITY  $\times$  COMPETITION are added. For succinctness, the variables used in the four models are presented in Table 5.4.

As the "residual centring" regression approach instead of OLS approach was used in the data analysis, the interaction terms actually used in both the full-effect basic model extended model were the corresponding residuals of the interaction variables described above. The residual equations for five interactions in the extended full-effect model are listed in Table 5.7.

***Estimating consumer evaluations of brand extensions for durable extension products and non-durable extension products separately*** To test Hypothesis 10, i.e. whether consumer differs in evaluating durable extensions and non-durable extension, we run main-effect-only model and full-effect model for durable extension

products and non-durable extension products respectively. While doing so, ‘residual centring’ approach was used. The residual equations for durable and non-durable, from which the residuals for the corresponding interactions in the full-effect model can be calculated, are listed in Table 5.8 and Table 5.9.

**F-test and T-test** To test hypothesis 6, i.e. test in Chinese culture context whether consumers are more conformable or not in evaluating brand and brand extension, a one tail F-test is run. Actually, the F-test is to compare the variability of two samples, one from China and another from the data set of Aaker and Keller’s. The comparisons are made between the measure deviations of China studies and the corresponding measure deviations of US study (Aaker and Keller’s). As Aaker and Keller provided the measure deviations as well as sample size, this makes the comparisons of the measure variability between their study and this study possible.

One tail t-test is used to explore if the difference between the beta coefficients in the models for durable and non-durable extensions is statistically significant. This is a very important part of testing Hypothesis 10A, 10B and 10C. As the standard errors for the beta coefficients to be compared can be obtained from regression analysis, and the corresponding sample size for each coefficient is given, t-value can be calculated by using the formula (5.4), (5.5), (5.6) and (5.7)

$$t = (x_1 - x_2) \div \{ s \times \text{sqrt} (1/n_1 + 1/n_2) \} \quad (5.4)$$

$$s = \text{sqrt} \{ [(n_1 - 1) \times s_1^2 + (n_2 - 1) \times s_2^2] \div (n_1 + n_2) \} \quad (5.5)$$

$$s_1^2 = n_1 \times (S1. E.)^2 \quad (5.6)$$

$$s_2^2 = n_2 \times (S2. E.)^2 \quad (5.7)$$

Where  $x_1$  and  $x_2$  are the beta coefficients to be compared;  $s_1$  and  $s_2$  are the standard deviations for sample one and two, and  $s$  is the estimate of the standard deviation for sample one and sample two combined;  $S1.E.$  is the standard error for  $x_1$  and  $S2.E.$  is the standard error for  $x_2$ ;  $n_1$  and  $n_2$  are sample size for sample one and sample two.

## 5.4 Conclusions

This chapter serves to detail the methodology of the research, and it is structured into two main sections. The first section introduces the methodology of a China replication of Aaker and Keller's study. In this section, highlighted is the high correlation between the fit variables and the interaction variables in Aaker and Keller's basic model and the so-called 'residual centring' regression approach which addresses the concerns of the collinearity problem. The second section presents the methodology of another related study that aims to refine and extend Aaker and Keller's model in developing countries. In this section, focus is put on the methodological differences between the replication study and the extended study. Especially emphasised are the refinement of the dependent variable ATTITUDE towards the extension, and the measures of two newly added variables IMAGE and COMPETITION. In addition, the data analysis process is presented in detail.

**Table 5.1 Brands and Extension Products Used in Aaker and Keller's study and China replication study**

China Brand	China Brand Extension	US Brand	US Brand Extension
Qing Dao beer	Mineral Water Wine Popcorn	Heineken beer	Wine Lighter beer Popcorn
Liang Mian Zheng toothpaste	Mouthwash Chewing gum Chocolate	Crest toothpaste	Mouthwash Chewing gum Shaving cream
Jie Libo orange juice	Mineral water Biscuit Candy bar	Haagen-Dazs Ice-cream	Cottage cheese Popcorn Candy bar
Head & Shoulders shampoo	Sports wear Sun cream Perfume	Vidal Sassoon shampoo	Suntan lotion Sportswear Perfume Ski cream
Seiko watch	Sun-glasses Walkman Popcorn	McDonald's meals	Frozen fries Theme park Photo processing
Toyota car	Watch Shirt Walkman	Vuarnet glasses	Wallets Watches Skis Sportswear

**Table 5.2 The Average measure scores both in replication and extended Studies**

	Atti.	Qual.	Trans.	Compl.	Subs.	Diff.
Replication Study	3.84	4.91	3.90	3.43	2.98	3.44
Extended Study	3.62	4.76	3.76	3.24	2.72	3.25
Difference	0.22	0.15	0.14	0.19	0.16	0.19

**Table 5.3 Parent Brands and the Corresponding Extensions in Each Questionnaire of both the replication and extended study**

Questionnaire	Parent Brands Used	Brand Extensions
Questionnaire One	Toyota car	Watch
		Shirt
		Walkman
	Liang Mian Zheng toothpaste	Mouthwash
		Chewing gum
		Chocolate
Questionnaire Two	Qing Dao beer	Mineral Water
		Wine
		Popcorn
	Seiko watch	Sun-glasses
		Walkman
		Popcorn
Questionnaire Three	Jie Libo orange juice	Mineral water
		Biscuit
		Candy bar
	Head & Shoulders shampoo	Sports wear
		Sun cream
		Perfume

**Table 5.4 The variables used in the models of the extended study**

Model Name	Dependent Variable	Independent Variable
Main-effect-only basic model	Attitude toward the Extension ---Perceived quality of the extension ---Preference to the extension	Perceived quality of the original product Transfer Complement Substitute Difficult
Full effect basic model	Attitude toward the Extension ---Perceived quality of the extension ---Preference to the extension	Perceived quality of the original product Transfer Complement Substitute Difficult Perceived quality $\times$ Transfer Perceived quality $\times$ Compl. Perceived quality $\times$ Substitute

**Table 5.4 (Continued)**

Model Name	Dependent Variable	Independent Variable
Main-effect-only extended model	Attitude toward the Extension	Perceived quality of the original product
	---Perceived quality of the extension	Transfer
	---Preference to the extension	Complement
		Substitute Difficult Image competition
Full effect extended model	Attitude toward the Extension	Perceived quality of the original product
	---Perceived quality of the extension	Transfer
	---Preference to the extension	Complement
		Substitute
		Difficult
		Image
		Competition
		Perceived quality $\times$ Transfer
		Perceived quality $\times$ Compl.
		Perceived quality $\times$ Substitute
		Perceived quality $\times$ Image
		Perceived quality $\times$ Compet.



**Table 5.5 Description of the variables and the measures in the extended model**

Variable name	Variable description	Scale
Quality of extension	The perceived overall quality of the brand extension	1 = inferior, 7 = superior
PREFERENCE	The likeness of the extension	1 = extremely dislike, 7 = extremely like
QUALITY	The perceived overall quality of the parent brand	1 = inferior, 7 = superior
TRANSFER	The usefulness of the manufacturing skills and resources in the original product for developing, refining and making the new product.	1 = extremely unhelpful, 7 = extremely helpful
COMPLEMENT	The complementarity of the original and extension products in use	1 = extremely unlikely, 7 = extremely likely
SUBSTITUTE	The substitutability of the original and extension products in use	1 = extremely unlikely, 7 = extremely likely

**Table 5.5 (Continued)**

Variable name	Variable description	Scale
DIFFICULT	The difficulty in manufacturing and designing the extension product	1 = extremely easy, 7 = extremely difficult
IMAGE	The consistency between the image of the parent brand and the associations stimulated by the extension	1 = extremely inconsistent, 7 = extremely consistent
COMPETITION 1	The dominance of existing brands in the extension market	1 = strongly disagree, 7 = strongly agree
COMPETITION 2	The extent of favourability toward existing brands in the extension market	1 = strongly disagree, 7 = strongly agree

**Table 5.6 The residual equations for three interactions in the replication full-effect model**

Interaction Variable	Corresponding Residual Equations
QUAL. × TRANSFER	$-19.72 + 3.161 \times \text{QUALITY} + 5.024 \times \text{TRANSFER}$
QUAL. × COMPLMENT	$-17.71 + 3.563 \times \text{QUALITY} + 4.982 \times \text{COMPL.}$
QUAL. × SUBSTITUTE	$-15.71 + 3.161 \times \text{QUALITY} + 4.972 \times \text{SUBSTITUTE}$

**Table 5.7 The residual equations for five interactions in the full-effect extended model**

Interaction Variable	Corresponding Residual Equations
QUAL. × TRANSFER	$-17.2 + 3.653 \times \text{QUAL.} + 4.787 \times \text{TRANSFER}$
QUAL. × COMPLEMENT	$-15.3 + 3.239 \times \text{QUAL.} + 4.753 \times \text{COMPLEMENT}$
QUAL. × SUBSTITUTE	$-13.5 + 2.856 \times \text{QUAL.} + 4.702 \times \text{SUBSTITUTE}$
QUAL. × IMAGE	$-15.7 + 3.313 \times \text{QUAL.} + 4.809 \times \text{IMAGE}$
QUAL. × COMPETITION	$-13.0 + 2.778 \times \text{QUAL.} + 4.681 \times \text{COMPETITION}$

**Table 5.8 The residual equations for five interactions in the full-effect model of non-durable**

Interaction Variable	Corresponding Residual Equations
QUAL. × TRANSFER	$-18.8 + 3.932 \times \text{QUAL.} + 4.853 \times \text{TRANSFER}$
QUAL. × COMPLEMENT	$-16.7 + 3.468 \times \text{QUAL.} + 4.835 \times \text{COMPLEMENT}$
QUAL. × SUBSTITUTE	$-14.8 + 3.057 \times \text{QUAL.} + 4.810 \times \text{SUBSTITUTE}$
QUAL. × IMAGE	$-17.5 + 3.629 \times \text{QUAL.} + 5.853 \times \text{IMAGE}$
QUAL. × COMPETITION	$-12.2 + 2.536 \times \text{QUAL.} + 4.806 \times \text{COMPETITION}$

**Table 5.9 The residual equations for five interactions in the full-effect model of durable**

Interaction Variable	Corresponding Residual Equations
QUALITY × TRANSFER	$-14.4 + 3.149 \times \text{QUALITY} + 4.713 \times \text{TRANSFER}$
QUALITY × COMPLEMENT	$-13.2 + 2.888 \times \text{QUALITY} + 4.621 \times \text{COMPLEMENT}$
QUALITY × SUBSTITUTE	$-5.358 + 3.998 \times \text{QUALITY} + 1.27 \times \text{SUBSTITUTE}$
QUALITY × IMAGE	$-12.6 + 2.740 \times \text{QUALITY} + 4.724 \times \text{IMAGE}$
QUALITY × COMPETITION	$-15.4 + 3.350 \times \text{QUALITY} + 4.572 \times \text{COMPETITION}$

## Chapter 6 Results

### 6.1 Introduction

This chapter presents the results of the replication study and the extended study. The chapter is divided into two main sections. The first section reports the findings of the replication study. The replication is designed to test Aaker and Keller's model in China, i.e. test the hypothesis 1, 2, 3, and 9, or more specifically to test the hypotheses concerning the effects of perceived quality of the parent brand, the fit between the two product categories, and the difficulty of making the extension. To facilitate reference and making comparisons, the hypotheses to be tested are exhibited and the corresponding results of Aaker and Keller's study and other replications are also reported.

The second section presents the results of the extended study. The extended study is to refine and extend Aaker and Keller's model in the context of developing countries. In addition, it aims to re-test the hypotheses already tested in the replication and to provide the cross validation to the findings of the replication study. To highlight hypothesis testing, the results are reported in a way consistent with the structure of the hypotheses presented in Chapter 4. Specifically, the results are presented in the following order: consumers' attitudes towards the parent brand; fit between the original and extension product categories; the congruity between the associations of parent brand and of the extension; Chinese culture effect; the competition intensity of the extension product market; the characteristics of extension product. The chapter concluded with the summary of the hypotheses test results (Table 6.22 and Table 6.23) and some basic conclusions drawn from these results.

## 6.2 The Results of the Replication Study

Table 6.1 reports the means of the variables while Table 6.3 reports the correlation matrix of variables in China replication. For cross comparison, Table 6.2 presents the means of the variables in Aaker and Keller's study, Table 6.4, Table 6.5 and Table 6.6 provide the correlation matrix of the variables in Aaker and Keller's study and other replication studies. The results of the main-effects-only model where the interactions are eliminated are reported in Table 6.7. While the results of the full effect model using ordinary least square (OLS) regression approach and the results of the full effect model using "residual centring" regression approach are presented in Table 6.8 and Table 6.9 respectively.

### 6.2.1 Perceived Quality of the Parent Brand

**Hypothesis 1 In developing countries, consumers' perceptions of higher quality towards the parent brand are associated with more favourable attitudes towards the brand extension.**

When using the ordinary least square (OLS) regression approach to estimate the full effect model, the similar results to Aaker and Keller's study were obtained. While in Aaker and Keller's study, the standardised beta coefficient for QUALITY is 0.01 and not statistically significant at  $p < 0.1$ , in this replication, the standardised beta coefficient for QUALITY is 0.06 and also not statistically significant at  $p < 0.1$  level (Table 6.8). If judged by this, it seems that Hypothesis 1 should be rejected.

However, when using the residual centring technique and correcting for the high collinearity between the main independent variables and the interaction variables, strong support for Hypothesis 1 was found. Note that, in the full effect model, after correcting the collinearity, the standardised beta coefficient for QUALITY is 0.13 and statistically significant ( $p < 0.01$ ). This is fully consistent with the findings of

Bottomley and Doyle's study (1996) where similar analysis technique was used and supportive evidence to the hypothesis was found.

### **6.2.2 Fit between the Original Product Category and the Extension Product Category**

**Hypothesis 2 In developing countries, the fit or similarity between the original product category and the extension product category will be positively related to the evaluation of the extension.**

Regardless of which regression analysis techniques are employed in our study, Hypothesis 2 is supported (see Table 6.8 and Table 6.9). When using OLS approach to estimate the full effect model, among three fit variables, only the standardised beta coefficient for TRANSFER (0.28) is statistically significant ( $p < 0.01$ ), and this suggests that transferability is a very important dimension for consumers' evaluation toward the extension. This finding is congruous with Aaker and Keller's study where standardised beta coefficient for TRANSFER is 0.15 and statistically significant ( $p < 0.05$ ) while other two fit variable COMPLEMENT (-0.02) and SUBSTITUTE (-0.08) are not statistically significant ( $p < 0.1$ ).

When using the "residual centring" approach to estimate the full effects model, it is found that all three fit variables TRANSFER (0.21), COMPLEMENT (0.16) and SUBSTITUTE (0.10) are statistically significant ( $P < 0.01$ ). This is also consistent with the results of Bottomley and Doyle's study where all three fit variables have a significant effect on the model ( $p < 0.01$ ).

Further, when a main-effect-only model is run where the interaction variables  $QUALITY \times TRANSFER$ ,  $QUALITY \times SUBSTITUTE$  and  $QUALITY \times COMPLEMENT$  are eliminated, the standardised beta coefficients of the three fit variables TRANSFER, COMPLEMENT and SUBSTITUTE are 0.21, 0.16 and 0.10 accordingly, and all are statistically significant ( $p < 0.01$ ). This suggested that

TRANSFER and COMPLEMENT are more important than SUBSTITUTE in determining how consumers evaluate brand extensions. This result was also supported unanimously by the previous studies (see Table 6.7).

### 6.2.3 The Interaction between Quality and Fit

**Hypothesis 3** In developing countries, the transfer of a brand's perceived quality is enhanced when the product categories in some way fit together; when the fit is weak, the transfer is inhibited.

When using OLS technique to estimate the model, similar results to Aaker and Keller's were found. Specifically, among three interactions, QUALITY  $\times$  TRANSFER, QUALITY  $\times$  SUBSTITUTE and QUALITY  $\times$  COMPLEMENT, only the last term had significant effect on the model, for the standardised beta coefficient for QUALITY  $\times$  COMPLEMENT is 0.17 and statistically significant ( $p < 0.05$ ). This was consistent with the Aaker and Keller's finding for the same measure. In Aaker and Keller's study, interaction term QUALITY  $\times$  SUBSTITUTE also have significant effect on the model. However, this replication failed to repeat this result. Note that, the standardised beta coefficient for QUALITY  $\times$  SUBSTITUTE is 0.08 but not statistically significant ( $p < 0.1$ ).

When using "residual centring" technique to estimate the model, the two interaction terms QUALITY  $\times$  TRANSFER and QUALITY  $\times$  SUBSTITUTE still do not have significant effects on the model while QUALITY  $\times$  COMPLEMENT do. However, its contribution to the model was significantly reduced. Actually, the standardised beta coefficient for COMPLEMENT  $\times$  QUALITY decreased from 0.18\*\* (\*\* statistically significant at  $p < 0.05$  level) in the previous model to 0.05\*\* in the newly estimated model. This may well reflect the fact that before correcting for the collinearity, the interaction term COMPLEMENT  $\times$  QUALITY captured large part of the effects of the main terms of QUALITY and COMPLEMENT. This is also manifest from the increases of beta coefficients of both QUALITY and

COMPLEMENT which increased from 0.06, 0.01 in the previous model to 0.13\*\*, 0.16\*\* respectively in the newly estimated model using “residual centring” technique. As a whole, Hypothesis 3 is supported.

#### **6.2.4 Difficulty of Making the Brand Extension**

**Hypothesis 9 In developing countries, the relationship between the difficulty of making the extension and the attitude towards the extension is positive.**

To this hypothesis, the results of previous studies are conflicting. While Aaker and Keller’s study supported the hypothesis, the subsequent replications found no direct supportive evidences to it. Particularly, Bottomley and Doyle’s (1996) finding are more compelling. They used both the OLS and “residual centring” technique to analyse the data sets from UK and New Zealand, and found that the standardised beta coefficients for DIFFICULT are almost zero. This is also consistent with Sunde and Brodie’s (1993) finding. It seems that in developed countries the DIFFICULT dimension tends to have little effect on consumer’s evaluation of brand extension.

However, in China replication, irrespective of which regression modelling techniques are employed, the beta coefficient remained 0.15 and is statistically significant ( $p < 0.01$ ). Thus, the strong support for Hypothesis 9 is found.

### **6.3 Results of the Extended Study**

#### **6.3.1 Consumer’s Attitude towards the Parent Brand**

**Hypothesis 1 In developing countries, consumers’ perceptions of higher quality towards the parent brand are associated with more favourable attitudes towards the brand extension.**



Again, this hypothesis is supported. The standardised beta coefficient for QUALITY is 0.12 in the full effect basic model and statistically significant ( $p < 0.01$ ) while this is 0.11 and also statistically significant ( $p < 0.01$ ) in the full effect extended model (refer to Table 6.13).

### **6.3.2 Fit between the Original and the Extension Product Categories**

**Hypothesis 2 In developing countries, the fit or similarity between the original product category and the extension product category will be positively related to the evaluation of the extension.**

The standardised beta coefficients for three fit variables TRANSFER, COMPLEMENT, and SUBSTITUE are 0.41, 0.14 and 0.09 in full effect basic model and statistically significant at the level of  $p < 0.01$ . The standardised beta coefficients for TRANSFER and COMPLEMENT are 0.27, 0.07 respectively in the full effect extended model and they are all statistically significant at the level of  $p < 0.01$  while the standardised beta coefficient for SUBSTITUTE is 0.04 and is statistically significant at  $p < 0.05$ . Thus, both the basic model and the extended model support hypothesis 2.

**Hypothesis 3 In developing countries, the transfer of a brand's perceived quality is enhanced when the two product categories in some way fit together. When the fit is weak, the transfer is inhibited.**

In full effect basic model, the standardised beta coefficients for the interactions QUALITY  $\times$  TRANSFER and QUALITY  $\times$  SUBSTITUTE are 0.04 and 0.04, and they are both statistically significant at the level of  $p < 0.1$  while the standardised beta coefficient for QUALITY  $\times$  COMPLEMENT is 0.01 and not statistically significant at  $p < 0.1$ .

In full effect extended model, the standardised beta for QUALITY  $\times$  SUBSTITUTE is 0.04 and statistically significant at  $p < 0.05$  while the beta coefficients of the other two interactions QUALITY  $\times$  TRANSFER and QUALITY  $\times$  COMPLEMENT are 0.03 and -0.02 respectively, and they are not statistically significant at the level of  $p < 0.1$ . The hypothesis 3 is supported by both the models, but not to all three interactions.

### **6.3.3 The Congruity between the Associations of the Parent Brand and of the Extension**

**Hypothesis 4 In developing countries, the congruity between the overall image of the parent brand and the associations attached to the extension will be positively related to the evaluation of the extension.**

In the main effect extended model, the standardised beta coefficient for IMAGE is 0.32 and statistically significant ( $p < 0.01$ ) while in the full effect extended model the standardised beta coefficient for IMAGE is 0.33 and also statistically significant at the level of  $p < 0.01$ . Both the models strongly support Hypothesis 4.

**Hypothesis 5 In developing countries, the transfer of a brand's perceived quality is enhanced when the overall image of the parent brand and the associations attached to the extension are in congruity.**

In the full effect extended model where interactions are added, the standardised beta coefficient for QUALITY  $\times$  IMAGE is 0.03 and not statistically significant at  $p < 0.1$ . Thus, Hypothesis 5 is not supported.

### 6.3.4 Chinese Culture Effect

**Hypothesis 6** In the context of Chinese culture, as a whole, consumers tend to evaluate brand and brand extension more conformably than in other cultural context.

Table 6.10 listed the means of the measures while Table 6.11 presented the correlation matrix of the variables in the extended study. If comparing the means of the measures between Aaker and Keller' study (1990) and China replication (1994), it is clear that hypothesis 6 is supported. Note that in China the standard deviation for variable ATTITUDE is 0.41 while in US it is 1.65 (Table 6.1 and Table 6.3). This means that Chinese consumers evaluate the extensions more homogeneously than Americans do. The same principle applies to the other measures. For example, for the variable SUBSTITUTE, the standard deviation in China is 0.92 while in US it is 2.08. As other replications did not report the results of this aspect, comparisons could be made only between the US and China studies.

However, in the extended study, a seemingly different pattern emerged. Note that in the extended study, though the measure averages do not have significant change, the standard deviations of the measures are much larger than in the replication. For example, the standard deviation of QUALITY increased from 0.28 to 1.28; the standard deviation of ATTITUDE increased from 0.41 to 1.34.

If compared with Aaker and Keller's study, although the standard deviations in the extended study are generally lower than those in Aaker and Keller's study, the difference is not as large as they are between the replication and Aaker and Keller's study (refer to Table 6.14).

To explore if the difference is significant in statistical sense, F-test was run for the corresponding measure standard deviations between the US study and China studies. The F-test results were presented in Table 6.15. It revealed that the average deviation

in Aaker and Keller's study was significantly greater than that either in China replication study or in the extended study. Thus, both the replication and the extended study support Hypothesis 6.

Further, the differences of measure deviations between the replication and the extended study were also tested with one tail F-test, and it was found that they were all statistically significant at 1% level (Table 6.15). This means, as time goes by, consumers are more diversified or less conformable in evaluating brand extensions.

**Hypothesis 7 In the context of Chinese culture, the interaction effects between the perceived quality of the parent brand and three fit variables TRANSFER, COMPLEMENT, SUBSTITUTE are more likely to occur than in other cultural context.**

In full effect basic model the two interactions  $QUALITY \times TRANSFER$  and  $QUALITY \times SUBSTITUTE$  do have influence on consumers' attitudes toward the brand extension, but their effects are rather small. Note that the beta coefficients for these two interaction variables are 0.4 and 0.4 and statistically significant at  $p < 0.1$ .

In the full effect extended model, only the interaction  $QUALITY \times SUBSTITUTE$  has statistically significant influence on  $ATTITUDE$  but the influence is also very small (beta coefficient is 0.04 and statistically significant at the level of  $p < 0.05$ ).

If comparing the results of both China replication and the extended study with the results of Bottomley and Doyle's study (refer to Table 6.9 and Table 6.13), it could be found that in Bottomley and Doyle's study, three interactions explained about 13% of the total model variance. While in China replication and this extended study, they explained about 10% and 8% respectively. From this, it seems the Hypothesis 7 should be rejected. As the details of the standard errors for the statistics in Bottomley and Doyle (1996) study are not available, and this makes it impossible to further explore if the differences between are statistically significant or not. In spite of this,

the fact that the interactions in Bottomley and Doyle model explained no less than they did in China study models suggests the hypothesis 7 is not supported.

#### **6.3.5 The Competition Intensity of the Extension Product Market**

**Hypothesis 8 In developing countries, the evaluation of brand extension is closely linked to consumer's perception to the competition intensity of the extension product market.**

The discussions of the above hypothesis are closely related to the discussions of Hypothesis 8A and Hypothesis 8B. Each of these hypotheses is to be examined in turn with the corresponding findings.

**Hypothesis 8A In developing countries, the extension evaluation is negatively linked to consumer's perception to the competition intensity of the extension product market.**

This hypothesis is rejected. In both main effect and full effect extended model, the standardised beta coefficient for COMPETITION is 0.05 and statistically significant at  $p < 0.01$ . However, this is contrary to the predicting direction of Hypothesis 8A.

**Hypothesis 8B In developing countries, the transfer of the perceived quality from the parent brand to the extension is enhanced when the competition intensity in the extension product market is low; the transfer is inhibited when the competition intensity is high.**

This hypothesis is not supported. In the full effect extended model, the standardised beta coefficient for COMPETITION is 0.01 and not statistically significant at the level of  $p < 0.1$ .

### **6.3.6 The Characteristics of the Extension Product**

#### **6.3.6.1 The Difficulty of Making the Extension**

**Hypothesis 9** In developing countries, the relationship between the difficulty of making the product class of the extension and the attitude toward the extension is positive.

In full effect basic model, the standardised beta coefficient for DIFFICULT is 0.24 and statistically significant at the level of  $p < 0.01$ . In full effect extended model, the standardised beta coefficient for DIFFICULT is 0.23 and statistically significant at  $p < 0.01$ . Therefore, both the basic model and extended model strongly supported the hypothesis 9.

#### **6.3.6.2 The Type of the Extension Product: Durable vs. Non-durable**

**Hypothesis 10** In developing countries, consumer differs in evaluating durable extensions and non-durable extensions

The discussions of the above hypothesis are closely related to the discussions of Hypothesis 10A, Hypothesis 10B and Hypothesis 10C. Each of these hypotheses is to be examined in turn with the corresponding findings.

**Hypothesis 10A** In developing countries, the effect of the perceived quality of the parent brand on attitude formation towards the extension is greater for non-durable extension product than for durable extension product

Both main effect regression models and full effect regression models (see Table 6.18 and Table 6.19) show that QUALITY has a direct effect on consumer's attitude formation towards the non-durable extension. For example, in full effect basic model and full effect extended model where all the main independent terms and the

interactions are included, the standardised beta coefficient for QUALITY is 0.12 and 0.11 respectively, and all statistically significant ( $p < 0.01$ ). This means that, for non-durable extensions, QUALITY is a direct determinant of the extension.

Whereas, for durable extensions, QUALITY has much smaller effect on consumers' attitude formation. In the full effect basic model and full effect extended model for durable extensions, the standardised beta coefficients for QUALITY are 0.04 and 0.03 respectively, and not statistically significant at  $p < 0.1$  (Table 6.21). This means that for durable extensions, QUALITY is not a direct determinant of the extension.

To provide further evidences to the evaluative differences of QUALITY dimension between durable extensions and non-durable extensions, two one-tail t-tests were estimated. One t-test is to explore whether the difference of the coefficients for QUALITY between the two basic models for durable extensions and non-durable extensions is statistically significant (these two coefficients are 0.04 and 0.12 respectively). Another t-test is to examine if the difference of the coefficients for QUALITY between the two extended models for durable extensions and non-durable extensions are statistically significant (the corresponding two coefficients are 0.03 and 0.11 respectively). The two t-values are 32.47 and 30.42 respectively and all statistically significant at 0.001 level. Thus, Hypothesis 11A is strongly supported.

**Hypothesis 10B In developing countries, the effect of TRANSFER on attitude formation towards the extension is greater for durable extension product than for non-durable extension product.**

Note that in the full effect extended model for non-durable extensions, the standardised beta coefficient for TRANSFER is 0.23 (statistically significant at  $p < 0.01$ ), explaining less than 20% of the variance of the model. While in the full effect extended model for durable extensions, the standardised beta coefficient for TRANSFER is 0.32 (statistically significant at  $p < 0.01$ ), explaining over 30% of the model variance. To further explore if the difference between these two models is

statistically significant, a one tail t-test was run. The t-value is 2.806 and statistically significant at the level of 1%. Thus, the Hypothesis 10B is supported.

**Hypothesis 10C In developing countries, the effect of DIFFICULT on attitude formation towards the extension is greater for non-durable extension product than for durable extension product.**

In the full effect basic model for non-durable extensions, the standardised beta coefficient for DIFFICULT is 0.21 and statistically significant ( $p < 0.01$ ) while this is 0.08 and not statistically significant for durable extensions. To explore if the difference is significant in statistical sense, a t-test was run and the t-value is 19.85 and significant at  $p < 0.01$  level.

In the full effect extended model for non-durable extensions, the standardised beta coefficient for DIFFICULT is 0.22 while this is 0.10 in the model for durable extensions. Similarly, a t-test was run to examine if the difference is significant. The t-value is 16.80 and statistically significant at  $p < 0.01$  level. Thus, Hypothesis 10C is supported.

## **6.4 Conclusions**

This chapter presents with the results of two studies in China context. Study one or the replication study uses “Residual Centring” approach to estimate the Aaker and Keller’s model in China. It strongly supported Aaker and Keller’s original hypotheses, and re-confirmed Bottomley and Doyle’s finding that consumer’s attitude towards brand extensions are driven primarily by the main effects and moderated via interaction terms.

Study two or the extended study tested the hypotheses mainly built upon the surroundings of developing countries, and re-tested Aaker and Keller’s basic brand extension model by refining the methodology. It not only re-verified the most of the



findings of the replication and provided the cross validation to these findings, but also shed fresh light on how consumers in developing countries evaluate brand extensions. As a whole, it appears that the agreements between our study and the previous studies conducted in developed countries are more compelling compared with the incongruities.

Specifically, both the replication study and the extended study revealed that:

- Consumer's quality perception of the parent brand is positively associated with the evaluation of the brand extension.
- The fit between original product class and extension product class has a direct positive effect on the acceptance of a proposed extension. Among the three fit variables proposed by Aaker and Keller, TRANSFER and COMPLEMENT have greater impact on the evaluation of the extension than SUBSTITUTE.
- Consumers' perceptions of the difficulty of making the extension are positively related to evaluation of the extension, and to a lesser extent,
- The transfer of the perceived quality of the parent brand is enhanced when there was a basis of fit between the original product class and the extension product class.

In addition to the findings above, the extended study further suggested that:

- The congruity or consistency between the image of the parent brand and the associations attached to the extension is a major factor in predicting the success of the extension.
- The competition intensity in extension product market is linked to consumer's evaluation towards brand extension, but this is limited to non-durable extensions.

- Chinese Culture also has some effect on consumer's brand extension evaluation but are not as great as anticipated.
- Consumer's evaluation of brand extension varies between durable extensions and non-durable extensions. Specifically, perceived quality of the original brand is an important determinant of brand extension to non-durable extensions but not to durable extensions; the effect of TRANSFER on consumer's attitude toward the extension is greater for durable extensions than for non-durable extensions; there is a positive relationship between the difficulty of making the product class of the extension and the attitude toward the extension for non-durable extensions but not for durable extensions.
- Some incongruities exist between this study and the previous studies conducted in the developed countries. Among them, the most prominent one is that the difficulty of making the extension has much greater influence on consumer's attitude formation towards the extension in developing countries than in developed countries.

**Table 6.1 Means of the measures in China replication study (1994)**

Brand Extension	Attitude to extension	Qual.	Trans.	Compl.	Subs.	Diff.	Sample
1. Seiko popcorn	2.86	4.82	1.78	1.65	1.51	1.94	165
2. Qing Dao popcorn	3.26	5.10	2.51	2.54	1.95	1.94	165
3. Qing Dao wine	3.52	5.10	4.51	4.13	3.75	3.91	165
4. Head & Shoulders sportswear	3.53	4.55	3.13	2.89	2.75	3.47	162
5. Liang Mian Zheng mouthwash	3.55	4.67	4.84	3.54	3.69	3.21	142
6. Jie Libo candy bar	3.65	4.99	3.38	2.64	2.09	3.19	162
7. Toyota shirt	3.72	5.35	3.42	3.01	2.73	3.44	142
8. Jie Libo biscuit	3.80	4.99	3.52	3.03	2.19	3.15	162
9. Toyota watch	3.84	5.35	4.17	3.43	2.76	4.50	142
10. Liang Mian Zheng chocolate	3.87	4.67	3.58	2.87	2.19	3.91	142
11. Heads & Shoulders perfume	3.90	4.55	4.65	4.65	3.64	3.94	162
12. Liang Mian Zheng chewing gum	4.04	4.67	4.36	3.24	3.00	3.16	142
13. Head & Shoulders sun cream	4.07	4.55	4.67	4.64	3.68	3.77	162
14. Seiko sun-glasses	4.22	4.82	2.98	2.95	2.08	3.05	165
15. Toyota walkman	4.22	5.35	4.53	4.18	3.20	4.34	142
16. Qing Dao mineral water	4.26	5.10	4.58	4.13	4.02	3.25	165
17. Jie Libao mineral water	4.38	4.99	5.08	4.20	5.21	3.24	162
18. Seiko walkman	4.43	4.82	4.59	4.02	3.13	4.64	165
Average	3.84	4.91	3.90	3.43	2.98	3.43	
Standard deviation	0.41	0.28	0.91	0.81	0.92	0.78	

**Table 6.2 Means of the measures in Aaker and Keller's study (1990)**

Brand Extension	Atti. to the ext.	Qual.	Trans.	Compl.	Subs.	Diff.
1. McDonald's photo processing	2.03	3.33	1.43	1.69	1.50	4.75
2. Heineken popcorn	2.30	5.57	1.98	5.35	1.92	1.81
3. Heineken wine	2.94	5.57	4.36	5.26	4.35	5.19
4. Haagen Dazs cottage cheese	3.13	5.85	3.67	2.08	2.85	2.44
5. Vidal Sassoon perfume	3.24	4.33	3.58	4.27	2.41	4.96
6. Crest shaving cream	3.26	5.48	3.63	4.47	2.12	3.08
7. Haagen-Dazs popcorn	3.28	5.85	2.39	3.19	3.95	1.81
8. McDonald's frozen French fries	3.37	3.33	5.84	3.40	4.22	2.10
9. Crest chewing gum	3.43	5.48	4.06	3.80	3.75	3.58
10. Vidal Sassoon sportswear	3.48	4.33	1.91	3.19	1.71	4.29
11. McDonald's theme park	3.56	3.33	2.31	3.98	1.99	5.46
12. Vidal Sassoon skin cream	3.63	4.33	4.66	5.09	2.79	4.12
13. Vaurnet wallets	3.78	5.87	2.71	4.65	2.26	3.58
14. Vaurnet skis	3.91	5.87	2.79	6.09	2.11	5.93
15 Vidal Sassoon suntan lotion	3.98	4.33	4.33	3.92	2.42	3.87
16. Vaurnet watches	4.07	5.87	2.87	4.86	2.75	5.43
17. Heineken light beer	4.76	5.57	6.71	5.49	5.56	4.51
18. Haagen Dazs candy bar	4.81	5.85	4.37	4.26	5.30	2.88
19. Crest mouthwash	4.86	5.48	6.08	5.64	4.43	3.50
20. Vaurnet sportswear	5.15	5.87	3.25	5.75	2.88	4.29
Average	3.60	5.08	3.65	4.32	3.06	3.88
Standard deviation	1.65	1.53	2.02	2.03	2.08	1.86

Based on 107 samples

**Table 6.3 Correlation matrix of variables in China replication study (1994)**

	Qual.	Trans.	Compl.	Subs.	Diff.	Qual. × trans.	Qual. × Compl.	Qual. × Subs.
Ext. Attitude	0.16	0.40	0.36	0.31	0.34	0.40	0.39	0.35
Quality		0.07	0.02	0.00	0.09	0.52	0.45	0.40
Transfer			0.46	0.46	0.40	0.86	0.44	0.44
Complement				0.50	0.33	0.40	0.87	0.46
Substitute					0.28	0.38	0.43	0.88
Difficult						0.38	0.33	0.23
Qual. × Trans.							0.60	0.57
Qual. × Compl.								0.60

Based on 469 respondents each for 6 extensions (N = 2814)

**Table 6.4 Correlation matrix of variables in US study (1990)**

	Qual.	Trans.	Compl.	Subs.	Diff.	Qual. × trans.	Qual. × Compl.	Qual. × Subs.
Ext. Attitude	0.29	0.34	0.31	0.25	0.13	NA	NA	NA
Quality		0.08	0.19	0.14	0.00	NA	NA	NA
Transfer			0.27	0.44	-0.07	NA	NA	NA
Complement				0.21	0.16	NA	NA	NA
Substitute					-0.09	NA	NA	NA
Difficult						NA	NA	NA
Qual. × Trans.							NA	NA
Qual. × Compl.								NA

Based on 107 respondents each for 20 extensions (N = 2140). Correlation with Quality × 'fit' variables not reported; NA, not available.

**Table 6.5 Correlation matrix of variables in New Zealand study (1993)**

	Qual.	Trans.	Compl.	Subs.	Diff.	Qual. × trans.	Qual. × Compl.	Qual. × Subs.
Ext. Attitude	0.50	0.46	0.52	0.43	0.19	0.58	0.60	0.53
Quality		0.23	0.23	0.19	0.16	0.64	0.56	0.50
Transfer			0.38	0.36	0.24	0.88	0.39	0.38
Complement				0.52	0.13	0.40	0.92	0.52
Substitute					0.10	0.37	0.49	0.93
Difficult						0.24	0.15	0.14
Qual. × Trans.							0.57	0.54
Qual. × Compl.								0.62

Based on 157 respondents each for 9 extensions (N = 1413)

**Table 6.6 Correlation matrix of variables in UK study (1996)**

	Qual.	Trans.	Compl.	Subs.	Diff.	Qual. × trans.	Qual. × Compl.	Qual. × Subs.
Ext. Attitude	0.27	0.53	0.52	0.47	0.06	0.58	0.59	0.53
Quality		0.10	0.03	0.06	0.01	0.53	0.41	0.36
Transfer			0.39	0.42	0.05	0.86	0.39	0.41
Complement				0.48	0.07	0.34	0.89	0.45
Substitute					0.00	0.38	0.45	0.92
Difficult						0.07	0.09	0.02
Qual. × Trans.							0.53	0.53
Qual. × Compl.								0.57

Based on 151 respondents each for 9 extensions (N = 1358)

**Table 6.7 The results of main effect regression models of the attitude towards extension**

Independent variables	China Study (1994)		Aaker and Keller's Study (1990)	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T- value
QUALITY	0.13	15.5 ***	NA	NA
TRANSFER	0.21	7.9 ***	0.24	NA
COMPLEMENT	0.16	10.6 ***	0.17	NA
SUBSTITUTE	0.10	8.1 ***	0.08	NA
DIFFICULT	0.15	8.3 ***	NA	NA
Adjusted R square = 0.24		Adjusted R square = 0.26		
Sample size = 2814		Sample size = 2140		
F - value = 176.5 ***				

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% respectively; NA, not available.

**Table 6.7 (Continued)**

	New Zealand Study (1993)		UK Study (1996)	
	Standardised		Standardised	
	regression		regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.38	5.3 ***	0.22	11.2 ***
TRANSFER	0.21	3.1 ***	0.31	13.6 ***
COMPLEMENT	0.29	4.2 ***	0.31	13.2 ***
SUBSTITUTE	0.13	1.9 *	0.18	7.7 ***
DIFFICULT	0.00	0.1	0.02	1.2
Adjusted R square = 0.48		Adjusted R square = 0.47		
Sample size = 1413		Sample size = 1358		
F - value = 29.1 **		F - value = NA		

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% respectively; NA, not available.



**Table 6.8 The Results of full effect regression models (using OLS approach)**

Independent variables	China Study (1994)		Aaker and Keller's Study (1990)	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T- value
QUALITY	0.06	1.3	0.01	- 0.1
TRANSFER	0.28	3.9 ***	0.15	2.0 **
COMPLEMENT	0.01	0.1	- 0.02	- 0.4
SUBSTITUTE	0.02	0.4	- 0.08	- 1.0
DIFFICULT	0.15	8.3 ***	0.12	6.2 ***
QUALITY × TRANSFER	- 0.08	-1.0	0.12	1.4
QUALITY × COMPL.	0.18	2.3 **	0.25	3.2 ***
QUALITY × SUBSTITUTE	0.08	1.1	0.18	2.1 **
Adjusted R square = 0.24		Adjusted R square = 0.26		
Sample size = 2814		Sample size = 2140		
F - value = 111.8 ***		F - value (NA)		

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% respectively; NA = not available.

**Table 6.8 (Continued)**

Independent variables	New Zealand Study (1993)		UK Study (1996)	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T- value
QUALITY	0.67	3.1 ***	- 0.04	- 0.9
TRANSFER	0.16	0.4	0.05	0.6
COMPLEMENT	0.24	0.7	0.11	1.2
SUBSTITUTE	0.99	2.4 **	0.08	0.9
DIFFICULT	0.00	0.0	0.01	0.6
QUALITY × TRANSFER	0.07	0.1	0.32	3.4 ***
QUALITY × COMPL.	0.05	0.1	0.22	2.3 **
QUALITY × SUBSTITUTE	- 0.99	- 2.1 **	0.11	1.2
	Adjusted R square = 0.48		Adjusted R square = 0.48	
	Sample size = 1413		Sample size = 1358	
	F - value = 19.3 ***		F - value (NA)	

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% respectively; NA = not available.

**Table 6.9 The results of full effect regression models  
(using 'residual centred' approach)**

Independent variables	China Study (1994)		US Study (1990)	
	Standardised		Standardised	
	regression co-efficient	T-value	regression co-efficient	T- value
QUALITY	0.13	7.9 ***	NA	NA
TRANSFER	0.21	10.4 ***	NA	NA
COMPLEMENT	0.16	8.2 ***	NA	NA
SUBSTITUTE	0.10	4.9 ***	NA	NA
DIFFICULT	0.15	8.3 ***	NA	NA
QUALITY × TRANSFER	- 0.02	-1.0	NA	NA
QUALITY × COMPL.	0.05	2.3 **	NA	NA
QUALITY × SUBSTITUTE	0.02	1.1	NA	NA
Adjusted R square = 0.24		Adjusted R square = 0.26		
Sample size = 2814		Sample size = 2140		
F - value = 111.8 ***		F-Value (NA)		

Note: \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 5% and 1% respectively; NA, not available.

**Table 6.9 (Continued)**

Independent variables	New Zealand Study (1996) <sup>a</sup>		UK Study (1996)	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.25	13.18 ***	0.22	11.4 ***
TRANSFER	0.26	12.68 ***	0.31	13.8 ***
COMPLEMENT	0.30	14.58 ***	0.31	13.3 ***
SUBSTITUTE	0.18	8.48 ***	0.18	7.7 ***
DIFFICULT	0.03	1.6	0.01	0.6
QUALITY × TRANSFER	0.08	4.18 ***	0.08	3.4 ***
QUALITY × COMPL.	0.05	2.38 **	0.05	2.3 **
QUALITY × SUBSTITUTE	- 0.01	- 0.6	0.03	1.2
	Adjusted R square = 0.43		Adjusted R square = 0.48	
	Sample size = 1559		Sample size = 1358	
	F-value (NA)		F-value (NA)	

Note: \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 5% and 1% respectively; NA, not available;

<sup>a</sup> the data set was provided by Sunde and Brodie, and the analysis of the data was conducted by Bottomley and Doyle. Sunde and Brodie's findings (1993) were based on a truncated sample of only 1413 responses.

**Table 6.10 Means of the measures in the extended study**

Brand Extension	Atti. to Qual. the ext.	Trans.	Compl.	Subs.	Diff.	Image	Comp.
1. Seiko popcorn (1)*	2.48	4.50	2.31	2.30	2.05	2.39	1.92
2. Qing Dao popcorn (2)	3.02	5.10	2.73	2.85	2.26	2.63	1.92
3. Head & Shoulders sportswear (4)	3.06	4.58	3.00	2.71	2.37	3.48	3.86
4. Liang Mian Zheng chocolate (10)	3.21	4.92	3.32	2.81	2.32	3.12	2.94
5 Seiko sun-glasses (14)	3.57	4.50	3.85	3.27	2.55	3.54	3.06
6. Head & Shoulders sun cream (13)	3.59	4.58	4.13	3.56	2.53	3.31	2.68
7. Seiko walkman (18)	3.59	4.50	3.77	2.29	2.29	3.69	3.94
8. Toyota shirt (7)	3.62	4.93	3.61	2.96	2.22	3.65	3.80
9. Heads & Shoulders perfume (11)	3.65	4.58	4.06	3.36	2.68	3.49	3.03
10. Toyota watch (9)	3.68	4.93	2.91	2.54	2.16	3.84	3.94
11. Jie Libo candy bar (6)	3.72	4.60	3.84	3.33	2.84	3.12	2.46
12. Jie Libo biscuit (8)	3.73	4.60	3.99	3.82	2.93	3.14	2.33
13. Toyota walkman (15)	3.83	4.93	3.85	3.19	2.61	3.74	3.98
14. Qing Dao mineral water (16)	4.16	5.10	4.37	3.46	2.87	3.25	3.76
15. Liang Mian Zheng mouthwash (5)	4.20	4.92	4.78	3.76	4.08	3.34	1.97
16. Qing Dao wine (3)	4.26	5.10	4.69	3.76	3.22	3.95	3.67
17. Jie Libao mineral water (17)	4.28	4.60	4.01	3.77	3.78	3.09	3.84
18. Liang Mian Zheng chewing gum (12)	4.35	4.92	4.68	3.95	3.27	3.32	2.18
average **	3.62	4.76	3.76	3.24	2.72	3.25	3.03
	(3.84)	(4.91)	(3.90)	(3.43)	(2.98)	(3.44)	
Standard deviation ***	1.34	1.28	1.68	1.66	1.59	1.39	1.03
	(0.41)	(0.28)	(0.91)	(0.81)	(0.92)	(0.78)	

Note: \* Numbers in these parentheses are the ranking positions sorted by ATTITUDE in the replication.

\*\* Numbers in these parentheses are the measure averages of the replication.

\*\*\* Numbers in these parentheses are the standard deviations of the measures in the replication.

### 6.11 Correlation matrix of variables in the extended model

	Qual.	Trans.	Compl.	Subs.	Diff.	Image	Compet.
Attitude	0.20	0.53	0.48	0.35	0.49	0.60	0.09
Qual.		0.14	0.04	-0.05	0.12	0.10	-0.02
Transfer			0.52	0.43	0.39	0.51	0.04
Compl.				0.38	0.37	0.50	0.01
Subs.					0.34	0.39	-0.4
Difficult						0.33	0.10
Image							0.03

Based on 252 respondents and each for 6 extensions (N = 1512)

**Table 6.12 The results of main effect model in the extended study**

Independent Variables	Basic Model		Extended Model	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.12	6.2 ***	0.11	6.1 ***
TRANSFER	0.42	18.5 ***	0.27	11.4 ***
COMPLEMENT	0.14	6.3 ***	0.08	3.6 ***
SUBSTITUTE	0.09	4.2 ***	0.04	2.0 ***
DIFFICULT	0.24	11.5 ***	0.22	11.4 ***
IMAGE	----	----	0.32	14.0 ***
COMPETITION	----	----	0.05	2.7 ***
	Adjusted r square = 0.49		Adjusted r square = 0.56	
	Sample size = 1512		Sample size = 1512	
	F- value = 299.0 ***		F- value = 271.4 ***	

Note: \*\*\* indicates that the beta coefficients were statistically significant at the 1% level.

**Table 6.13 The results of full effect model in the extended study**

Independent Variables	Basic Model		Extended Model	
	Standardised		Standardised	
	regression		regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.12	6.2 ***	0.11	6.1 ***
TRANSFER	0.41	18.4 ***	0.27	11.4 ***
COMPLEMENT	0.14	6.1 ***	0.07	3.1 ***
SUBSTITUTE	0.09	4.4 ***	0.04	2.2 **
DIFFICULTY	0.24	11.5 ***	0.23	11.4 ***
IMAGE	---	---	0.33	14.1 ***
COMPETITION	---	---	0.05	2.7 ***
Qual × Transfer	0.04	1.7 *	0.03	1.2
Qual × Complement	0.01	0.3	- 0.02	- 0.9
Qual × Substitute	0.04	1.8 *	0.04	2.4 **
Qual × Image	---	---	0.03	1.4
Qual × Competition	---	---	0.01	0.7
Adjusted R square = 0.49		Adjusted R square = 0.56		
Sample size = 1512		Sample size = 1512		
F- value = 188.0 ***		F- value = 159.8 ***		

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% levels respectively.

**Table 6.14 The measure standard deviations in US study and China studies <sup>a</sup>**

	Atti. to the ext.	Qual.	Trans.	Compl.	Subs.	Diff.
Replication study	0.41 (2814)	0.28 (938)	0.91 (2814)	0.81 (2814)	0.92 (2814)	0.78 (2814)
Extended study	1.34 (1512)	1.28 (504)	1.68 (1512)	1.66 (1512)	1.59 (1512)	1.39 (1512)
US study	1.65 (2140)	1.53 (642)	2.02 (2140)	2.03 (2140)	2.08 (2140)	1.86 (2140)

<sup>a</sup> The figures in parentheses are sample size.

**Table 6.15 The results of one tail F-test for the variability of the measure standard deviations between Aaker and Keller's US study and China studies <sup>a</sup>**

	Atti. to the ext.	Qual.	Trans.	Compl.	Subs.	Diff.
$S_1^2 / S_2^2$ (F-value)	20.80 ***	4.93 ***	6.28 ***	5.11 ***	5.69 ***	
	16.20 ***					
$S_1^2 / S_3^2$	1.52 ***	1.43 ***	1.45 ***	1.50 ***	1.71 ***	1.79 ***
$S_3^2 / S_2^2$	10.68 ***	20.90 ***	3.41 ***	4.20 ***	2.99 ***	3.18 ***

<sup>a</sup>  $S_1$  is the standard deviations of the measures in US study;  $S_2$  is the standard deviations of the measures in China replication;  $S_3$  is the standard deviations of the measures in the extended study;

\*\*\* indicates that the mean difference were statistically significant at 1% level.



**Table 6.16 Correlation matrix of variables in the regression model for non-durable extensions**

	Qual.	Trans.	Compl.	Subs.	Diff.	Image	Compet.
Attitude	0.18	0.56	0.47	0.38	0.48	0.60	0.16
Qual.		0.12	0.02	- 0.03	0.10	0.07	0.00
Transfer			0.50	0.34	0.39	0.54	0.11
Compl.				0.35	0.37	0.49	0.07
Subs.					0.39	0.39	0.04
Difficult						0.31	0.07
Image							0.11

1020 cases

**Table 6.17 Correlation matrix of variables in the regression model for durable extensions**

	Qual.	Trans.	Compl.	Subs.	Diff.	Image	Compet.
Attitude	0.12	0.54	0.52	0.35	0.44	0.58	0.04
Qual.		0.24	0.18	-0.07	0.17	0.14	-0.07
Transfer			0.56	0.26	0.46	0.52	0.02
Compl.				0.43	0.42	0.49	0.01
Subs.					0.32	0.30	0.01
Difficult						0.37	0.10
Image							0.01

492 cases

**Table 6.18 Results of main effect model for non-durable extensions**

Independent Variable	Basic Model		Extended Model	
	Standardised regression		Standardised regression	
	co-efficient	T- value	co-efficient	T- value
QUALITY	0.12	5.1 ***	0.11	5.3 ***
TRANSFER	0.41	14.7 ***	0.23	7.9 ***
COMPLEMENT	0.14	5.2 ***	0.07	2.8 ***
SUBSTITUTE	0.11	4.4 ***	0.06	2.4 **
DIFFICULT	0.21	8.1 ***	0.22	8.8 ***
IMAGE	---	---	0.34	11.7 ***
COMPETITION	---	---	0.08	3.6 ***
	Adjusted R square = 0.48		Adjusted R square = 0.55	
	Sample size = 1020		Sample size = 1020	
	F = 187.0 ***		F = 175.6 ***	

Note: \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 5% and 1% levels respectively.

**Table 6.19 Results of full effect model for non- durable extensions**

Independent Variables	Basic Model		Extended Model	
	Standardised		Standardised	
	regression		regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.12	5.1 ***	0.11	5.3 ***
TRANSFER	0.41	14.8 ***	0.23	7.8 ***
COMPLEMENT	0.14	5.0 ***	0.07	2.5 **
SUBSTITUTE	0.12	4.5 ***	0.06	2.3 **
DIFFICULTY	0.21	8.1 ***	0.22	8.9 ***
IMAGE	---		0.35	11.8 ***
COMPETITION	---		0.08	3.6 ***
Qual × Transfer	0.05	1.7 *	0.02	0.7
Qual × Complement	- 0.01	- 0.2	- 0.03	- 1.1
Qual × Substitute	0.04	1.4	0.04	1.6
Qual × Image	---	---	0.04	1.3
Qual × Competition	---	---	0.03	1.3
Adjusted R square = 0.48		Adjusted R square = 0.55		
Sample size = 1020		Sample size = 1020		
F- value = 117.4 ***		F- value = 103.3 ***		

Note: \*, \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 10%, 5% and 1% levels respectively.

**Table 6.20 Results of main effect model for durable extensions**

Independent Variable	Basic Model		Extended Model	
	Standardised		Standardised	
	regression		regression	
	co-efficient	T- value	co-efficient	T- value
QUALITY	0.07	2.4 **	0.06	1.8 **
TRANSFER	0.42	9.7 ***	0.32	7.0 ***
COMPLEMENT	0.17	3.7 ***	0.10	2.3 **
SUBSTITUTE	0.12	3.2 ***	0.10	2.7 ***
DIFFICULT	0.13	3.3 ***	0.11	2.9 **
IMAGE	---	---	0.26	6.2 ***
COMPETITION	---	---	0.01	0.3
Adjusted R square = 0.44		Adjusted R square = 0.48		
Sample size = 492		Sample size = 492		
F = 77.1 ***		F = 64.6 ***		

Note: \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 5% and 1% levels respectively.

**Table 6.21 Results of full effect model for durable extensions**

Independent Variables	Basic Model		Extended Model	
	Standardised regression		Standardised regression	
	co-efficient	T-value	co-efficient	T-value
QUALITY	0.04	0.6	0.03	0.4
TRANSFER	0.42	9.5 ***	0.32	6.7 ***
COMPLEMENT	0.17	3.7 ***	0.10	2.2 **
SUBSTITUTE	0.14	2.5 **	0.11	2.0 **
DIFFICULTY	0.08	0.5	0.10	0.7
IMAGE	---	---	0.27	6.1 ***
COMPETITION	---	---	0.01	0.3
Qual × Transfer	- 0.02	- 0.4	0.01	0.2
Qual × Complement	0.03	0.7	0.01	0.1
Qual × Substitute	0.05	0.4	0.02	0.1
Qual × Image	---	---	0.00	0.0
Qual × Competition	---	---	- 0.01	- 0.2
Adjusted R square = 0.44		Adjusted R square = 0.48		
Sample size = 492		Sample size = 492		
F- value = 48.1 ***		F- value = 37.4 ***		

Note: \*\* and \*\*\* indicate that the beta coefficients were statistically significant at the 5% and 1% levels respectively;

**Table 22 Summary of the hypotheses test results in the replication study**

Hypothesis Number	Test	Full Effect Basic Model (Beta coefficient)	Results
H1	two tail t-test	0.13 ***	Accepted
H2	two tail t-test	0.21 *** (trans.) 0.16 *** (compl.) 0.10 *** (subs.)	Accepted
H3	two tail t-test	-0.02 (Q×trans.) 0.05 ** (Q×compl.) 0.02 (Q×subs.)	Accepted
H9	two tail t-test	0.15 ***	Accepted

Note: \*\* and \*\*\* indicates that the beta coefficients were statistically significant at 5% and 1% level respectively.

**Table 2.23 Summary of the hypotheses test results in the extended study**

Hypothesis Number	Test	Full Effect Basic Model (Beta coefficient)	Full Effect Extended Model (Beta coefficient)	Results
H1	two tail t-test	0.12 ***	0.11 ***	Accepted
H2	two tail t-test	0.41 *** (trans.) 0.14 *** (compl.) 0.09 *** (subs.)	0.27 *** (trans.) 0.07 *** (compl.) 0.04 *** (subs.)	Accepted
H3	two tail t-test	0.04 * (Q×trans.) 0.01 (Q×compl.) 0.04 * (Q×subs.)	0.03 (Q×trans.) -0.02 (Q×compl.) 0.04 * (Q×subs.)	Accepted
H4	two tail t-test	---	0.33 **	Accepted
H5	two tail t-test	---	0.03	unsupported
H6	one tail F-test	refer to Table 6.15, all the F-values are statistically significant at 1% level.		Accepted
H7		In China replication and extended models interactions explained about 10% and 8% model variances respectively	In Bottomley and Doyle (1996) UK study, the interactions explained about 13% model variances	unsupported

**TABLE 6.23 (Continued)**

Hypothesis Number	Test	Full Effect Basic Model (Beta coefficient)	Full Effect Extended Model (Beta coefficient)	Results
H 8A	two tail t-test		0.05 ***	unsupported (in opposite predicting direction)
H 8B	two tail t-test		0.01	unsupported
H9	two tail t-test	0.24 ***	0.23 ***	Accepted
H 10A	two tail t-test and one tail t-test	0.12 *** (0.04) one tail t-value = 32.47 ***	0.11 *** (0.03) one tail t-value = 30.42 ***	Accepted
H 10B	two tail t-test and one tail t-test	0.41 *** (0.42 ***) one tail t-value = 21.7 ***	0.23 *** (0.32 ***) one tail t-value = 2.81 ***	Accepted
H 10C	two tail t-test and one tail t-test	0.21 *** (0.08) one tail t-value = 19.85 ***	0.22 *** (0.10) one tail t-value = 16.80 ***	Accepted

Note: \*\*\* indicate that the beta coefficients were statistically significant at the 1% level respectively; figures in the parentheses are the standard beta coefficients in the corresponding models for durable extensions.



H1 In developing countries, higher quality perceptions towards the parent brand are associated with more favourable attitudes towards the brand extension.

H2 In developing countries, the fit or similarity between the original product category and the extension product category will be positively related to the evaluation of the extension

H3 In developing countries, the transfer of a brand's perceived quality is enhanced when the two product categories in some way fit together; when the fit is weak, the transfer is inhibited.

H4 In developing countries, the congruity between the overall image of the parent brand and the associations attached to the extension will be positively related to the evaluation of the extension.

H5 in developing countries, the transfer of a brand's perceived quality is enhanced when the overall image of the parent brand and the associations attached to the extension are in congruity.

H6 In the context of Chinese culture, as a whole, consumers tend to evaluate brand and brand extension more conformably than in other cultural contexts.

H7 In the context of Chinese culture, the interaction effects between the perceived quality of the parent brand and three fit variables TRANSFER, COMPLEMENT, SUBSTITUTE are more likely to occur than in other cultural context.

H 8A In developing countries, the extension evaluation is negatively linked to consumer's perception to the competition intensity of the extension product market.

H 8B In developing countries, the transfer of the perceived quality from the parent brand to the extension is enhanced when the competition intensity in the extension

product market is low; the transfer is inhibited when the competition intensity is high.

H9 In developing countries, the relationship between the difficulty of making the extension and the attitude towards the extension is positive.

H 10A In developing countries, the effect of the perceived quality of the parent brand on attitude formation towards the extension is greater for non-durable extension product than for durable extension product.

H 10B In developing countries, the effect of TRANSFER on attitude formation towards the extension is greater for durable extension product than for non-durable extension product

H 10C In developing countries, the effect of DIFFICULT on attitude formation towards the extension is greater for non-durable extension product than for durable extension product.

## **Chapter 7 Discussions**

### **7.1 Introduction**

This chapter discusses the research results reported in Chapter 6. The chapter is divided into five main sections. The first section examines the findings associated with consumer's preference or attitude towards the parent brand. This section pertains the findings in brand preference dimension to the results of the previous studies as well as the related psychological and information economic theories, and attempts to provide explanations to the findings from different perspectives.

The second section discusses the results in product category similarity and brand image consistency. This section highlights the importance of the consistency between the image of the parent brand and the associations attached to the extension in consumer's attitude formation towards the extension, and the need to use other methods to more accurately capture the effect of the interactions between the fit variable, the image and the perceived quality of the parent brand.

The third and the fourth sections examine the findings related to the characteristics of the extension and extension product market. Specifically, the findings concerning with the difficulty of making the extension, the type of the extension and the competition intensity of the extension market are discussed in the context of developing countries, especially in the context of China. Finally, the fifth section raises and discusses the cultural and methodological issues related to the study.

### **7.2 Consumers' Preference or Attitude towards the Parent Brand**

Consumers' attitude towards the parent brand is conceptualised in terms of the overall perceived quality of the brand in this study. For the convenience of

exposition, except explicitly stated, the perceived quality of the parent brand, the brand affect, the preference or the attitude towards the parent brand are used exchangeable in the following discussion.

In current branding literature, consumer's preference or affect to the parent brand is considered to be one of the key elements in predicting the success of the brand extension (Aaker and Keller, 1990; Dacin and Smith, 1994; Broniarczyk and Alba, 1994). The underlying assumption is that consumer's favourability towards the parent brand will be transferred to the extension or enhance the likeness towards the extension.

This intuitive thought is consistent with some psychological and information economic theories. For example, according to classical conditioning theory and stimulus generalisation theory, stimuli that is similar to a conditioned stimulus will elicit a similar response without prior learning (Pavlov, 1927; Antonides and Raaij, 1998). In brand extension evaluation context, parent brand name could be viewed as a conditioned stimulus while the extension attached with the same brand name is a similar stimulus. Consumer's reaction to the extension, therefore will be determined by the preference of the parent brand if the extension is viewed in some way as similar to the parent brand. This highlights the importance of consumers' attitudes towards the parent brand as well as the fit between the parent brand and the extension that will be discussed subsequently.

Cognitive consistency theories can also help explain why consumers' preference towards the parent brand is vital in consumer's attitude formation towards the extension. In general, cognitive consistency theories "are concerned with inconsistencies that arise between related beliefs, bits of knowledge, and/or evaluations about an object or an issue. Inconsistency can occur between elements of several types: between the affect toward an issue and specific beliefs about it; between an evaluation of a person and issue on which he takes a position, or between a person's knowledge of his behaviour toward an object and his knowledge

of his feelings and beliefs about it.” The various consistency theories exist and they differ one another in some respects, however, “all of the theories have in common the idea that inconsistency is unpleasant and that the psychological tension created by this unpleasant state leads to attempts at reducing the inconsistency” (Himmelfarb and Eagly, 1974). This suggests that when consumer hold an relatively stable attitude toward one object and some belief in the relationship between this object and another related object, then his attitude towards the later should help reduce the inconsistency or maintain or even enhance the consistency of the whole system. In the case of brand extension evaluation, consumer generally brings along with an attitude towards the parent brand, and in many occasions also with his belief about the relations between the parent brand and the extension. Whether these two, the attitude and the belief, are consistent or not, to be more cognitively balanced, the subsequent attitude formation toward the extension should be either consistent with the previously held attitude or consistent with the belief or adjusted by both. In sum, again, consumer’s attitude towards the brand, along with the relations or fit between the parent brand and the extension, is crucial.

The critical importance of the attitudes towards the parent brand can further be elucidated by information economics. Information economics are primarily concerned with the informational aspects of the marketplace and how sellers and consumers behave when facing “information asymmetry” and risks associated with uncertainties (Akerlof, 1984; Grossman, 1981; Cooper and Ross, 1985; Kreps, 1991; Bergen, Dutta and Walker, 1991; Rao and Bergen, 1992). For both sellers and buyers, the lack of information is undesirable: buyers are not able to determine the quality levels associated with different units, and sellers have difficulty communicating information about the quality of their products. However, for many products and in many cases, there is information asymmetry. For example, in the used car market, individual sellers know more about a particular car’s condition than do buyers. “If buyers cannot evaluate the car’s quality before purchase, they will worry that the seller is selling a ‘lemon.’ Therefore, buyers will offer low prices to protect themselves from being cheated. Consequently, honest sellers of high quality

used cars will not receive a fair price for their products, and will therefore drop out of the market, leaving only low-quality sellers in the market”(Rao and Ruekert, 1994). One solution on seller’s side is to develop reputation for both the firm and brand and use it as “hostage” or “deterrent” to cheating on customers (Klein and Leffler, 1981; Shapiro, 1983; Telser, 1980). From consumer’s side, evidences showed that in addition to product intrinsic cues, consumers tended to use extrinsic cues such as price, brand name, manufacturer reputation, the country of origin and package as indication of the product quality (Peterson, 1970; Stokes, 1985; Bearder and Shimp, 1982). One aspect of information economics and the related studies particularly relevant to the focus here is that, in the brand evaluation process, respondents are provided little information except the parent brand name and the corresponding extension product class. Under this condition, consumer’s evaluation of the preference, perceived quality or buying intention of the extension will in large part depend on the cues or associations that the brand name stimulates. As consumer’s attitude is closely linked with these cues and associations, thus it will greatly affect how consumers evaluate the extension.

At empirical level, many researchers use the construct of perceived quality to capture consumer’s preference or attitude towards the parent brand. Evidences so far strongly support the assumption that attitude towards the parent brand is positively linked to the brand extension (Aaker and Keller, 1990; Sunde and Brodie 1993; Bottomley and Doyle, 1996). This study showed for the first time that this assumption holds not only in developed countries but also in the developing countries. Thus, from both empirical and theoretical perspective, there is no doubt that consumer’s attitude towards the parent brand is a universal determinant of brand extension. The question is how and in what extent the attitude affect the evaluation of the brand extension. Put it in another way, does it influence the evaluation of the brand extension in the same way across different extension products, different markets or segments? Aaker and Keller’s study showed that consumers’ attitudes towards the parent brand, or more specifically the perceived quality of the parent brand affects consumers’ evaluations of brand extension only when some fit exists between the original

product class and the extension product class. While other studies (Sunde and Brodie, 1993; Bottomley and Doyle, 1996) found that the perceived quality directly affected the extension evaluation even the fit is not high. Given the problem of collinearity between the main independent terms and the interactions, and the methodological concerns in Aaker and Keller's study, the findings of later replications seem more convincing. Our study again confirmed those latter findings, but in a developing country.

Further, this study showed for the first time that, the effecting magnitude of the attitude towards the parent brand on the extension evaluation did vary for different types of extension markets, i.e. durable vs. non-durable extension products. This finding is congruous with modern consumer behaviour theories. For durable products, they are usually less frequently purchased, more risk associated and consumers are more involved. Greater involvement usually leads to more thinking, more information processing and less superficial perceptions (Antonides and Raaij, 1998). Therefore, for more involved purchase, consumers are less dependent on the quality signalling of the brand name (Nijssen et al., 1995). On the other hand, in developing countries particularly in China, consumers are more likely to take the quality of durable for granted than for non-durable. Because, durable is usually perceived to be more difficult to make, more likely to be made by big manufacturers and less likely to be counterfeited by small underground factories. This means that for durable extensions, it is less important for consumers to infer product quality from the quality of the parent brand.

Here concerns may be raised. In general, durable goods are so called "experience products," purchases of durable goods are associated with higher risks, and in many cases consumers are less experienced or less knowledgeable for durable goods purchase than for non-durable purchase. This implies that "information asymmetry" may be more prominent in the case of durable goods purchase, thus consumers may be more inclined to depend on the signals such as brand name or brand reputation to infer the product quality. However, this is only one side of the coin. As discussed

above, higher purchase risks will lead to higher level of information seeking and processing, while more diversified information sources will reduce consumers' dependence on using brand name as quality signalling tool. Moreover, the other signals or cues such as manufacturer's credibility, the country of origin, the price and so on may play more important role in evaluating the perceived quality of the durable goods. In brand extension context, as hypothetical extensions are used, respondents generally are well familiar to the extension product classes. The differences of perceived risk level between durable extensions and non-durable extension may be very small if any, thus the effect of "information asymmetry" on how consumers use QUALITY to evaluate the extension is further diminished.

In sum, our study, along with other studies, provides strong evidence that consumer's preference towards the parent brand is a universal determinant of brand extension. However, the magnitude or extent in which how this dimension or this variable affects consumer's evaluation of the brand extension is not universal. At least, our study shows that it varies between durable extensions and non-durable extensions. Here, some moderate variables such as the market characteristics of the extension product, the characteristics of the targeted market may play a role. As these moderate variables in many cases are associated with economic as well as culture factors, therefor in this sense, the preference towards the parent brand as a global determinant may be not fully universal in terms of its functioning ways and functioning process.

### **7.3 Fit, Image and the Interactions between Fit, Image and Quality**

#### **7.3.1 Fit between the Original and Extension Product Categories**

Both the replication and the extended study show that the three fit variables TRANSFER, COMPLEMENT and SUBSTITUTE proposed by Aaker and Keller, are positively related to consumer's evaluation of the brand extension. Further, among them, TRANSFER and COMPLEMENT are more important than SUBSTITUTE in predicting the success of the brand extension. These findings are



fully consistent with the results of the previous studies as well as with the cognitive theories discussed above and elsewhere. Again, our finding points to that fit is also a universal determinant of brand extension.

Further examining the results of fit dimension, it is found that some slight resultant differences between this study and the previous studies do emerge. For example, in Bottomley and Doyle's (1996) study, the three fit variables explained near 70% of the variance of the dependent variable, while in China replication they explained less than 50%. In the extended study, after the introduction of two new independent variables IMAGE and COMPETITION, the three fit variables only explained about 30% of the variance of the dependent variable. Moreover, the standardised beta coefficients for COMPLEMENT and SUBSTITUTE are 0.07 and 0.04 respectively, suggesting their small contributions in explaining consumer's attitude formation towards the extension. The discrepancies may arise from the methodological factors such as the wording and question orders in the questionnaire. Unfortunately, the questionnaires used in the previous studies are not available, making it impossible to further explore this possibility. Another possible explanation, perhaps more compelling one, is that, in Chinese culture context characterised with holistic and intuitive thinking, consumers are more likely to notice the other possible fit dimensions other than the three in use.

The extended study revealed that the effects of three fit variables on attitude towards the extension were greater for durable extension than for non-durable extension product. This finding is compatible with the findings of Nijssen and colleagues (1995), where they found that TRANSFER, COMPLEMENT, SUBSUTITUTE were more important for high involvement than for low involvement extension products. Different involvement levels for durable and non-durable extensions undoubtedly help explain the phenomenon, because durable goods purchases generally are associated with higher consumer involvement. The differences of consumer's involvement for durable and non-durable goods purchases are even more striking in developing countries than in developed countries due to the fact that consumers in

developing countries have slim chances and experiences of buying many durable goods. For example, in western countries, many university students are affordable to buy or actually have bought expensive sportswear, stereo, TV set, computers or even cars, while these items are very far from access for most university students in developing countries.

On the other hand, in developing countries, durable goods are generally perceived to be more difficult to make than non-durable goods. This could be witnessed from Table 6.1 and Table 6.10 in chapter six. For example, in the extended study, all the durable extension products are evaluated above the average scoring level while in the replication only sun-glasses was perceived to be slightly lower than the average in dimension of DIFFICULT. On the whole, especially in consumer's eyes, the more complicated products will require more advanced technology, skill and expertise. In brand extension context, therefore, for this kind of extension products, the transferability of the expertise from the original product to the extension is essential. In contrary, for more easily made extensions, under current technology level of the society, almost every manufacturer has resources and ability to make them and therefor transferability (though also useful) relatively is less important.

### **7.3.2 The Image of the Parent Brand and Its Consistency with the Extension**

Brand image is closely attached with a set of core brand associations. Some of these associations are relevant and helpful to the extension while others are irrelevant or even harmful to the extensions. For example, McDonald is associated with fast food, cheap, tastes bad, greasy in US (Aaker and Keller, 1990), while in China it is associated with fast, clean, expensive, fun and American etc. When McDonald is extended to other products, say children food, it may be acceptable or even popular in China but not necessarily in US. Because for Chinese consumers, the associations of McDonald are positive and some of them could bring benefits to children food. In other words, some extent of consistency between the image of McDonald and children food exists in China. While in US there may be lacking this kind of

consistency or even there are conflicting perceptions about the relationship between the image of McDonald and the children food.

Here intended to highlight is the fact that the image of the parent brand and its congruity with the extension exert a very important role in consumers' attitude formation towards the extension. Actually, even in the same culture surrounding, the same brand may stimulate different associations among various consumers or consumer groups. What is most important to consumers' evaluations of the brand extension perhaps is not what these associations are and how they are positively attached with the parent brand but how they are relevant to and consistent with the extension. In fact, in some cases, the positive associations of the parent brand may be not necessarily perceived to be an asset to the extension. For example, Levi is associated with durability, vigour and cheap and all these are positive to Levi jacket and jeans products. But when Levi was extended to quality suits market, it failed because the Levi image is not compatible with the expectations and associations the targeted consumers hold towards quality suit products (Aaker, 1991).

In this study, the variable IMAGE is used to capture the overall effects of the fit or consistency between the image of the parent brand and the extension. This construct actually encompasses much more than the concept of fit between the original product class and the extension product class, therefore should be viewed as a stretch of the latter. The study showed that IMAGE did have a significant influence on the evaluation of brand extension. In the full effect extended model of the extended study, the standardised beta co-efficient for this dimension is 0.33 and is more important than TRANSFER (0.27). Separately viewed, IMAGE explained about 30% of the variance of the independent variable of the model and is the major predictor of the success of the extension.

### **7.3.3 The Interactions between Fit, Image and Consumers' Attitudes towards the Parent Brand**

In chapter 4, the interactive effects between consumer's attitudes towards the parent brand (specifically in this study the perceived quality of the parent brand) and the variables of fit and image were predicted. Both the replication and the extended studies showed that these effects did occur, however, their predicting power of the success of the extension is rather small. In the replication, after correcting for the collinearity, the interactions explained less than 7% of the model variance (see Table 6.9 in Chapter 6). In the extended study, when the variables IMAGE and COMPETITION were excluded, the model showed that interactions explained about 7% of the model variance; when the two variables were included, the interactions explained less than 4% of the variance (see Table 6.13). As a whole, our study revealed that consumers' attitudes towards brand extensions are primarily driven by the main effects and moderated by the interactions terms. This provides further supportive evidences to an affect-transfer model (Fisk and Pavelchak, 1986; but see Broniarczyk and Alba, 1994), in which the affect associated with the brand transfers from the original brand to the extension when similarity between the categories is high.

The result is also consistent with the findings of Bottomley and Doyle (1996) where the interaction terms are statistically significant, yet their magnitude is quite small compared with the main effects. Nevertheless, this does not rule out the possibility that in some cases the interactions play a greater role. In this study, brand image is considered to be consisted in a set of brand specific associations. Although the consistency of these associations with the extension was founded to be a major determinant of brand extension, the process of how it affect consumer's attitude towards the brand extension was not further explored. Broniarczyk and Alba's (1994) study suggested that this seems to be a inference process. In other words, subjects tended to evaluate each extension after assessing the ability of the extended brand to deliver desired benefits in the extended category. If this is the case, other

experimental methods may be needed to capture the effects of the interactions especially the effect of the interaction between the image consistency and the brand affect. Because, the benefit directed inference may need longer time to respond, need more cues to be presented and need manipulate the first order or direct effect of the brand affect and product class similarities.

#### **7.4 The Competition Intensity of the Extension Product Market**

This study shows that competition intensity in the extension product market also play a role in consumer's attitude formation toward the extension. In the full effect extended model of the extended study where both the variable IMAGE and COMPETITION were included (see Table 6.13 in chapter 6), the standardised beta coefficient for COMPETITION is 0.05 and statistically significant. Though the beta magnitude for COMPETITION is small in relation to those of the other variables in the model, by no means does it suggest that this factor is not important.

In our study, COMPETITION is conceptualised in two dimensions. The first dimension is whether the market is dominated by several powerful brands. In developing countries, consumer product market usually develops through two stages. In the first stage, there are a lot of competitors and brands but each of them commands a very tiny portion of the market share. The competition among different brands is intensive in some sense, but it is focused mainly on the cost or price. This type of market in some way is between the so-called 'perfect competition market' and 'monopolistic competition market' (Dibb et al., 1994). In the second stage, the number of competitors and brands decreases but some well-known brands or dominant brands emerge as the results of the competition in the first stage. These dominant brands have relatively stable customer bases and command large market share. The competition among the major dominant brands is no longer limited to price, the other variables of marketing mix become more important in winning competition advantages. It seems that this type of market is more likely to be located between the 'monopolistic competition market' and 'oligopoly competition market'.

From the view of economics, it seems that the competition in the market structure of the first type is more intensive than in the second type. However, from marketer's point of view, the contrary arguments are more likely to be in line with the reality. Because, according to product life cycle theory, when market approaches the maturity, the competition becomes increasingly fierce (Kotler, 1988). Philip's (1986) argument may well reflect this line of thought. He stated vigorously that: 'Oligopoly emerged as a competitive force' and 'oligopolistic competition is always real and intense.'

The second dimension is consumer's favour to the existing brands, especially to those of major players. From consumer's perspective, in what extent an extension is acceptable not only depends on the parent brand, on the fit between the two involved product categories but also depends on how consumer is satisfied with the currently existing brands. In other words, consumer's satisfaction and loyalty to the existing brands play another important role in consumer's evaluation of the extension. From a new entrant's standpoint, this is a very significant consideration. Because, what competition is all about is how consumer perceive one's product in relation to those of the competitors.

Combined these two dimensions, we hypothesises that in a more competition-intensified market, consumers evaluate the extension less favourable than in a less competition-intensified market. Although our study did reveal the influence of the competition factor, the direction is contrary to our prediction. One possible explanation for this is that, in a market in which several brands dominate, consumer may feel a 'saturated state' and have a motivation to try something different or fresh (Li Shiyong, 1984). This explanation is compatible with variety-seeking buying behaviour theory that brand switching occurs for the sake of variety rather than dissatisfaction, and occurs in the situations characterised by low consumer involvement but significant brand differences (Kotler, 1994). In general, consumer involvement level with non-durable goods is lower than with durable goods, and the brand or product differences in non-durable category are perceived to be more

prominent than in durable category in developing countries. Thus, the variety-seeking buying behaviour is more likely to occur in non-durable product category. This helps explain the phenomenon observed in the study that COMPETITION plays significant role for the evaluation of non-durable extensions but not for the evaluation of durable extensions.

## **7.5 Characteristics of the Extension Product**

### **7.5.1 The Difficulty of Making the Extension**

Most previous studies (except for Aaker and Keller's 1990 study) found that in developed countries, no direct relationship existed between consumer's attitude towards the extension and the difficulty of making the extension. For example, in Sunde and Brodie's study (1993), the standardised beta coefficient for DIFFICULT is near zero while in Bottomely and Doyle's (1996) study it is 0.01 and not statistically significant. It seems that in most developed countries, the easiness or difficulty of making the extension is not an important factor to the extension evaluation.

However, our study provided strong evidence that the difficulty of making the extension was a very important determinant of brand extension. In the full effect model of the replication, the standardised beta coefficient for DIFFICULT is 0.15 and statistically significant ( $p < 0.01$ ), explaining about 18% of the total variance of the model. While in the full effect model of the extended study, the standardised beta coefficient for DIFFICULT is 0.22 (also statistically significant at  $p < 0.01$ ), explaining about 20% of the total variance of the model.

Why the dimension of DIFFICULT is so important in consumer's brand extension evaluation in developing countries? One possible explanation is that, in developing countries, consumers are more likely to experience with unsatisfactory purchases, therefor are more prone to be cautious about being exploited. If manufacturers extend their established brands to some petty products, consumers may doubt the motives of

the manufactures, and accordingly some negative associations about the extension may be triggered. For example, in China, most consumers have experiences of buying faked products or being cheated by the sellers. In the environment in which many deceitful commercial practices can escape punishment, one effective protecting way for consumers is to be more alert and more judicious.

One interesting phenomenon is that, our study shows that the influence of DIFFICULT on consumer's evaluation of the extension differs between non-durable extension products and durable extension products. Specifically, for non-durable extensions, DIFFICULT is a very important determinant of brand extension while for durable extensions, the effect of the DIFFICULT is much smaller. This finding is also compatible with the explanation offered above. In developing countries, especially in China, consumers' frustrations with faked products as well as displeasing purchasing experiences are more likely to occur in non-durable product categories than in durable product categories. This is because, non-durable goods are more easily counterfeited, more frequently purchased on one hand, and when deceived or unsatisfied, consumers are more likely to refrain from taking public actions against the offenders on the other. In contrary, for durable goods, because of less direct displeasing purchase experiences on consumer side and the possibility of obtaining guarantee from the sellers, they are perceived to be a less likely source of deception. Further, in developing countries, durable goods as a whole generally are considered to be more difficult to make than most non-durable goods, thus, the perception of being exploited because of extending the brand to trivial products may be less likely to be elicited.

Another possible explanation is related to consumer's perception on the difference between the difficulty of making the original product and the difficulty of making the extension. Perhaps, there is a "difficult" tolerance gap or tolerance range. Within the tolerance gap, the absolute easiness or difficulty level of making the extension may not trigger much negative effect on the extension. But, when the gap is big and beyond the tolerance range, the doubts and concerns about the firm's intention and



ability as well as other inconsistencies may arise. For example, if Microsoft or Rolls Royce is extended to fast food, some inconsistencies and negative associations may be triggered spontaneously among many consumers. As the durable extension products are generally perceived to be more difficult to make, they are less likely to create big “difficult” gaps when the original products themselves are not too trivial such as the cases in our study. In line with this thought, it seems logical that the factor of DIFFICULT is relatively less important to durable extensions than to non-durable extensions.

### **7.5.2 The Types of Extension Product: Durable vs. Non-durable**

Current branding literature focus on how the parent brand and product class fit affect consumers’ evaluations of the extension, little efforts were directed to the effect of the factors related to the characteristics of the extension product. In this study, we addressed one aspect of the issue and explored how consumers differ in evaluating durable extensions and non-durable extensions.

Some deviations or differences were identified. Among them, as presented in Chapter 6 and discussed elsewhere in this chapter, the most prominent is in three dimensions. First, consumers seem less rely on the quality signals of the parent brand to make judgement about the durable extensions than they do about the non-durable extensions. The rational behind this may be closely associated with the different consumer involvement level between the durable goods and non-durable goods on one hand, and the environment in developing countries which stimulate consumers looking for wider range of information sources while making their evaluation about durable goods on the other. Second, the fit between the parent brand and the extension, especially the transferability of the skills and expertise from the parent brand to the extension, is more important for durable extensions than for non-durable extensions. One reason for this is that durable goods are generally perceived to be more difficult to make, more technology intensive, and that if the parent brand can provide no or little support on the resources and expertise needed by the extension,

some doubt and inconsistencies may arise from consumer side. In contrary, for most non-durable extension products, they may be perceived to be a little bit easy to make and most firms have the resources and ability to make them, thus the transferability dimension may be less important. Third, the difficulty of making the extension is less important a factor for durable extension than for non-durable extension.

The findings discussed here point to the fact that attempting to develop a universal model across all products and all segments, though useful and appealing, it may lose much richness of the phenomenon being investigated. Perhaps, that is why some researchers call for more specific and more segregated investigations into brand extension, product by product and segment by segment (Tauber, 1993).

## **7.6 Cultural and Methodological Issues**

### **7.6.1 Cultural Effect**

In this study, we hypothesises that in Chinese cultural context, consumers tend to be more conformable in evaluating brand and brand extension, and that the interactions between the fit, the image and the perceived quality of the parent brand play a more important role than in other cultures. Although supportive evidence is found to the first hypothesis, little evidence supports the second one.

Both the replication study and the extended study showed that, compared with consumers in the US, Chinese consumers tended to evaluate brands and brand extensions more conformably. Further, as time goes by, the evaluative conformity among consumers seems to be in decline. The F-test showed that respondents in the replication were more conformably in evaluating brand extensions than those in the extended study were. This could be mainly attributed to the market dynamics, as well as consumers' enhanced consumption experiences and diversified lifestyles in recent years in China. The data in replication was collected in early of 1994 while the data in the extended study was collected in the late of 1998. The time span is almost

five years between the two. During this period, enormous changes in market place as well as among consumers have taken place. For example, five years ago, Toyota was perceived by many Chinese people to be one of the best car brands, and few people knew the other big names from Europe and North America. But nowadays, more and more Chinese people come to recognise there are a lot of other car brands better than Toyota. This is well reflected from the change of the quality perception to Toyota during these years. In the replication, the mean of QUALITY measure to Toyota is 5.35 and is the highest among the six parent brands while in the extended study it decreased significantly to 4.93. On the other hand, accompanying the increase of income gap, consumption patterns among different consumer segments or even within the same segment are increasingly diversified. Take university students as example, it looks like that they form a relatively homogeneous market. Actually, the monthly expenditure of the 10 percent of the richest may be three to five times of the 10 percent of the poorest. The members of the later may worry about their daily bread while those in the former portion are affordable to go to restaurant frequently and purchase a variety of expensive branded goods. Obviously, the family income instead of other factors are the driven force here to the diversified life styles and consumer knowledge differentials, and in turn these lead to more varied perceptions and more amplified differences in evaluating brands and brand extensions

The study observed most of the findings discovered in developed countries, and found that the perceived quality of the parent brand, the product class fit were important determinants of brand extensions both in developing and developed countries. However, this does not mean that these determinants are the same across different cultures in terms of the process and the ways of how they function. For example, we found that as a whole COMPLEMENT and SUBSTITUTE is a less important factor in China than in developed countries, and this is especially true for non-durable products. In China replication, these two variables explained about 30% of the model variance while in both New Zealand study and UK study they explained about 45% (see Table 6.9 in chapter 6). In the extended study, COMPLEMENT and SUBSTITUTE explained about 20% of the variance (see Model one of Table 6.13 in

chapter 6). When the two variables IMAGE and COMPETITION were included in the model, COMPLEMENT and SUBSTITUE explained less than 10% of the model variance, suggesting these two variables have relative small influence on consumer's attitude formation towards the extension. Economic and legal elements may contribute a great deal here but culture may also play some role.

As discussed in Chapter 3, Chinese culture is characterised with holistic and intuitive thinking and people living with it tend to direct their attention more on the whole picture of the phenomenon being observed and the relationships among the consisting elements instead of each element itself. Perhaps this is why in China studies the correlation between TRANSFER and COMPLEMENT, TRANSFER and SUBSTITUTE are higher than the counterparts in other studies. Due to this, the effect of COMPLEMENT and SUBSTITUTE may be captured by TRANSFER in a larger extent in Chinese culture context than in other culture contexts, and therefor separately viewing, the effect of the former two fit variables appears to be diminished.

## **7.6.2 Methodological Issues**

### **7.6.2.1 Collinearity between “Fit” Measures and Their Corresponding Interactions with Perceived Quality of the Parent Brand**

Both the replication study and the extended study re-confirmed the fact that high correlation exist between fit variables TRANSFER, COMPLEMENT, SUBSTITUTE and their corresponding interaction with QUALITY: QUALITY  $\times$  TRANSFER, QUALITY  $\times$  COMPLEMENT and QUALITY  $\times$  SUBSTITUTE. For example, in the replication study, these are 0.86, 0.87, 0.88 respectively (see Table 6.3), slightly lower than the counterparts in UK study and New Zealand study (where the correlation between these variables are 0.86, 0.89, 0.92 and 0.88, 0.92, 0.93 respectively) but still astonishingly high. Such high correlation between these

independent variables in the models may make the results not robust, and therefore some adjustments and improvements to the analysis technique are needed.

Following Bottomley and Doyle's recommendation, in this study, we simultaneously use traditional Ordinary Least Square (OLS) approach and the "residual centring" approach (Lance, 1988) to analyse the data sets. The model results reinforce Bottomley and Doyle's most conclusions and suggest that the discrepancies of the results in the previous studies should be largely attributed to the problem of multicollinearity. For example, in the replication, when using OLS approach, a similar finding pattern to Aaker and Keller's study (1990) emerged; when the "residual centring" approach was employed, the results were mostly consistent with the findings of UK study. This proved again that the "residual centring" approach was beneficial to narrow the gap or differences among the results of previous studies, and indicted the inappropriateness to making direct comparisons between the findings of this study and those of Aaker and Keller's, especially on the effects of the interactions in the models.

#### **7.6.2.2 The Measurement of Attitude toward the Brand Extension**

In Aaker and Keller's (1990) study and the subsequent replications including the China replication, consumer's attitude towards the brand extension was measured by two constructs: buying intention of the extension product and perceived quality of the extension. The overall attitude is operationised by averaging these two measures. Although in Aaker and Keller's study, the correlation between these two measures is reasonably high (0.67), other studies reported the contrary results. In UK study and New Zealand study, the correlation between these two constructs is less than 0.5; while in Roux's (1995) study in which luxury parent brands were used, the correlation is as low as 0.34. In China replication, the correlation between "perceived quality of the extension" and "buying intention" is 0.43, relatively higher than in Roux study but significantly lower than in Aaker and Keller's study.

Roux (1995) stated: “buying intention and extension perceived quality should be considered as two distinct dimensions, for a consumer of general good products (toothpaste, soft drinks), quality is an important product attribute and thus is an important criteria in their purchase intention. On the contrary, for luxury goods, the notion of quality is somehow taken for granted and many other factors influence purchase intention.”

Nijssen and colleagues (1995) found that respondents were sometimes reluctant to fill in the question regarding buying intention for high involvement products, thus in their study buying intention was replaced by the measure of respondents’ general opinion on the suitability of the extension for the manufacturer of the brand.

In Fishbein and Ajzen extended attitude model (ref. Antonides, Raaij, 1998), attitude is composed of beliefs and evaluation and it is a major determinant of buying intention while buying intention, accompanying with other factors such as habit, situation, personality determines the behaviour. From this perspective, it seems inappropriate to view buying intention as a part of attitude.

Given the concerns above, in the extended study, ‘buying intention’ was replaced by consumer’s preference towards the extension while the perceived quality as a measuring construct of attitude was kept. The pre-test showed that the correlation between ‘preference’ and ‘perceived quality’ was 0.709, reasonably high. The actual correlation in the data set of the extended study is 0.688. The increase of the R square from 0.24 in the replication to 0.49 indicates that the overall fit of the model is greatly enhanced after the adjustment of the measure. Although some other factors may also make contributions to this, undoubtedly the improvement of the measure play a very important role.

Interestingly, the adjustment in ATTITUDE measuring in the extended study accompanies little change to the basic conclusions derived from the replication. This in some extent provides a cross validation to our findings. One issue that should be

addressed is the incongruity between the two studies on how the interactions affect consumers' evaluations of the extensions. In replication, among the three fit variables, only the QUALITY  $\times$  COMPLEMENT has some effect in statistical sense on the model. However, in the extended study, the standardised beta coefficient for QUALITY  $\times$  COMPLEMENT (0.01) is not statistically significant while the standardised beta coefficients for other two interactions (0.4 and 0.4 respectively) are statistically significant, indicating a different result from that of the replication. This discrepancy may be partly ascribed to the alteration of the measurement and partly to the other factors such as the changes in questionnaire design, the differences of the subjects etc.

#### **7.6.2.3 Stimuli Differences**

In cross-cultural replications of brand extension research, the discrepancies of the findings may come from many sources. One possible source is the different stimuli used (Aaker and Keller, 1993). It should acknowledge that it is often difficult or even impossible to fully control the effects of the stimuli given the fact that some highly regarded brands in one country may be rarely heard in another. The question is: in some specific context, are such effects really a driven force or negligible factor to the existence of the discrepancies?

Bottomley and Doyle (1996) found that there was little possibility that the differences in previous results were because of different stimuli. Unlike Sunde and Brodie's (1993) New Zealand replication, both the parent brands and the extensions used in Bottomley and Doyle's study were very similar to those in Aaker and Keller's study. Thus, it was considered to be a very "close replication" to Aaker and Keller original study. Further, Bottomley and Doyle not only analyse the UK data set but also the New Zealand data set provided by Sunde and Brodie, by using "residual centring" approach described before. The similar resultant patterns emerged with these two data sets showed convincingly that stimuli differences might not be a factor as important as suggested previously to the explanation of the incongruities of the previous results.

In spite of this, another possibility might emerge. That is, the different nature of original products and extension products used in brand extension researches might lead to a general pattern that may not well apply to the separate type of stimuli if the stimuli are appropriately categorised. Our study showed that consumer differed in evaluating durable extensions and non-durable extensions. Some conclusions derived from the general model can be applied to the non-durable extensions but not to the durable extensions. This strongly suggests that in the future research, more attention should be directed to more narrowly defined markets and segments instead of assuming that consumers respond in the same way to all extension products.

## **7.7 Conclusions**

This chapter relates the research findings to the literature, to the relevant theories, and to the context of developing countries especially to the situation of China. It highlights the major factors or determinants of brand extension in developing countries, the congruities and the discrepancies of the findings between this study and the previous studies, and the possible explanations to the discrepancies.

In addition to perceived quality of the parent brand and the fit between the two involved product classes, several other factors are identified to be important for consumer's evaluation of the brand extension in developing countries. These are: the congruity between the image of the parent brand and the associations attached to the extension; the characteristics of the extension product; and the competition intensity of the extension product market.

As a whole, this study provides evidences for the first time, that most of the findings in the previous studies based on Aaker and Keller's model can be applied in developing economies. The affect-transfer model (Fisk and Pavelchak, 1986), in which the affect associated with the brand transfers from the parent brand to the



extension when similarity between the categories is high, seems to hold not only in developed countries but also in developing countries.

Among others, the most prominent discrepancy between this study and the previous studies is that, the difficulty of making the extension has a much greater influence on consumer's attitude formation towards the extension in developing countries than in developed countries. This could greatly contribute to the environment of developing countries, in which the lavishness of low quality and faked products, the frequent frustrating purchase experiences, and the weak legal protection system lead consumers more cautious and suspicious when firms extend their established brands to some trivial products.

The effects of Chinese culture were also explored in this study. Little evidence was found that culture had a direct effect on consumers' brand extension evaluations. However strong evidence suggests that Chinese consumers did tend to evaluate brand and brand extension more conformably, and that this type of conformism seemed to be declining as consumers became more economically dependent and were more frequently contacting with other cultures. As culture is a very subtle subject, and the method used in this study may not be as much effective to capture the complicated and delicate culture effect, the observations of this study concerning culture should be best viewed as tentative.

## **Chapter 8 Conclusions**

### **8.1 Introduction**

This project aims to explore how consumers in developing countries evaluate brand extension by using China as a case. To achieve this, two separate studies were conducted. The first study or replication study was to test Aaker and Keller's model in China and to see in what extent the conclusions drawn from this model can or can not be applied to developing countries. The focus of the first study was put on the congruities between the findings of China replication and of the previous studies conducted in developed countries. The reason for this is that, given the fact that China as a developing country has its unique culture and distinctive characteristics, the commonly observed findings both in China and in developed countries are more likely to occur in other developing countries which are less deviant from the developed countries in terms of culture, social and political system and so forth.

The second study or the extended study attempts to refine and extend Aaker and Keller's model in the context of developing countries. It not only provided a cross validation to the findings of the replication, but also shed lights on the less focused and neglected aspects by the previous studies, and on how consumers in developing countries differed from their counterparts in developed countries in evaluating brand extension.

The chapter begins with the presentation of the major conclusions drawn from the findings of the study. Subsequently, it discusses the implications of the findings by relating them to the branding environment in developing countries, particularly to the branding environment in China. Then, it discusses the limitations of the study, and finally it identifies the directions for future research.

## 8.2 Major Conclusions

- Consumer's quality perception of the parent brand is positively associated with the evaluation of the brand extension. However, the importance of this dimension differs between the durable extensions and non-durable extensions. Specifically, perceived quality of the parent brand plays a greater role in consumers' attitude formation towards non-durable extensions than towards durable extensions.
- The fit between original product class and extension product class has a direct positive effect on the acceptance of a proposed extension. Among Aaker and Keller's proposed three fit variables, TRANSFER, COMPLEMENT and SUBSTITUTE, the first two have greater impact on the evaluation of the extension than SUBSTITUTE. Further, after taking brand image consistency and competition intensity of the extension market into account, among the three fit variables, TRANSFER play a dominant role while the role of COMPLEMENT and SUBSTITUTE is much smaller in determining the success of the extension.
- The congruity or consistency between the image of the parent brand and the associations attached to the extension is a major factor in predicting the success of the extension. In the extended study, strong evidence was found that the overall consistency between the associations of the parent brand and those of the extension is of the most importance. The inclusion of the variable IMAGE in the model not only enhanced the overall fit of the model, but also significantly decreased the effects of other factors, such as the effects of category similarity.
- Culture does have some effect on consumer's attitude formation towards brand extension, though its effect is not as great as anticipated. In Chinese cultural context, consumers tend to evaluate brand and brand extension more conformably than in some other cultural contexts, though this type of conformism seems to be in decreasing as consumers are more familiar with modern consumption and more

frequently contacting the products and life styles from other cultures. The hypothesis that, in Chinese culture the interaction terms in the model have greater impact on consumer's brand extension evaluation than in other cultures, seems not well supported. The great agreements between the findings of the replication study and those of the previous studies in other cultures seem to suggest the relative small effect of culture on consumer's attitude formation towards the extension. However, as culture is a very subtle dimension and the methodology used in the study may not well capture the delicate effect of it, the observation here at best is tentative.

- The competition intensity in extension product market is positively linked to consumer's evaluation towards brand extension, but this is limited to non-durable extensions. Specifically, in a more mature market where more established brands exists, brand extension is more likely to be accepted than the otherwise situation. This seems contrary to our intuition, but it is compatible with some consumer behaviour theories as well as with Sullivan's (1992) finding that the more appropriate entry time for the extension is in the later stage of the product life cycle.
- Consumers' perceptions of the difficulty of making the extension are positively related to evaluation of the extension. In China context, durable goods are generally perceived to be more difficult to make than non-durable goods and the problem of exploiting consumers by extending brand name to non-durable is relatively more prominent in consumers perception, thus DIFFICULT is a more important consideration for non-durable extension than for durable extension. Moreover, in China, among other factors, it lacks a strong protecting system for intellectual propriety protecting system, and this makes trademark infringement and product faking a common phenomenon in some areas. The problem of faking is more serious in non-durable goods categories than in durable goods categories, due to the reality that most non-durable goods need less investment and less technology expertise in manufacturing. Usually, consumers are less likely to take

public actions when they are disturbed by faked non-durable goods, and therefore the offenders are easier to escape the punishments. Along with the fact that non-durable goods are more frequently purchased, this leads consumers more often to encounter with unpleasant experiences in non-durable goods categories. And all these reinforce consumer's caution and suspicions that firms may be more likely to abusively use extension strategy in non-durable categories than durable goods categories

- Consumers' evaluations of brand extension vary between durable extensions and non-durable extensions. Specifically, perceived quality of the original brand is a more important determinant of brand extension for non-durable extensions than for durable extensions; the effect of TRANSFER on consumer's attitude toward the extension is greater for durable extensions than for non-durable extensions; there is a positive relationship between the difficulty of making the product class of the extension and the attitude toward the extension, and this relationship is more prominent for non-durable extensions than for durable extensions. In short, given other conditions constant, consumers tend to more rely on the perceived quality of the original brand, the difficulty of making the extension product to make their judgement about the non-durable extensions. While for durable extensions, they tend to more rely on the cues of the transferability of the resources and expertise from the parent brand to the extension.
- Finally, in a lesser extent, the transfer of the perceived quality of the parent brand is enhanced when there was a basis of fit between the original product class and the extension product class. In both replication and the extended study, supportive evidences were found to this. In replication, one of the three interaction terms was found to have a significant effect on the model; while in the extended study, when the variables IMAGE and COMPETITION were not included, two of the interactions were found to have significant effect on the model. However, relatively, the overall effect of the interactions is small, indicting that consumers' evaluation towards the extension is primarily driven by main terms.

In sum, this study confirmed most of the findings observed in developed countries and found that consumers' attitudes towards brand extensions are driven primarily by the main effects and moderated via interaction terms. In addition, in developing countries, some factors such as the consistency between the image of the parent brand and the associations attached to the extension, the competition intensity of the extension product market, and the characteristics of the extension product, are identified to be important in determining consumers' attitudes towards the extension. As the effects of these factors are rarely directly explored in developed countries, whether or not the findings concerning these aspects can be observed in developed economies are yet to be explored. Further, in developing countries, the difficulty or easiness of making the extension plays a much more important role in consumers' attitude formation towards the extension than in developed countries. This is partly due to the economic and legal environment in the developing countries, which may elicit consumer's suspicious psyches to business practices on one hand and nourish consumer's self defensive consciousness on the other.

### **8.3 Managerial Implications**

The great agreement between the findings of this study and those of the previous studies, evidenced by the fact that this study was conducted in a unique culture surrounding, suggests that in brand extension context, consumer heterogeneity across different cultures and different economic development levels is not as high as might be expected. In other words, some common ground or common principles exist in evaluating brand extension among consumers of different cultures and different countries. This means that, pursuing to extend a well-known brand to related product categories or to the product categories relevant to the brand world-wide is not only desirable but also feasible. The success of some Japanese companies such as Sony, Panasonic and Mitsubishi by using such a brand strategy both in developed and developing countries at least has provided firsthand empirical evidence from the real

business world. For those brands that have world-wide reputation yet are not extended to other product categories, it seems enormous opportunities exist.

However, this does not mean that there are no conditions or boundaries for a well-known or highly regarded brand to be successfully extended to other product categories. Note that in both the replication study and extended study, two fit variables TRANSFER, COMPLEMENT along with DIFFICULT are more important than the perceived quality of the parent brand in determining the success of the brand extension. The importance of fit between the original product category and the extension product category is further reinforced by the interactive effects between the fit and the transfer of the perceived quality from the parent brand to the extension. Thus, before deciding whether or not to extend a brand name to a specific product, some investigation about how the targeted consumers perceive the fit or similarity between the two involved product categories is of paramount importance.

The extended study further showed that, among three fit variables TRANSFER, COMPLEMENT and SUBSTITUTE, TRANSFER is the most influential one. In the full effect extended model (refer to Table 6.13), TRANSFER has as much as over two times the effects of COMPLEMENT and SUBSTITUTE combined on the model variance. The rationale behind this may be closely linked to the benefits that consumers pursue in the extension product category. Because, TRANSFER or transferability of the resources and expertise from the original product to the extension is perceived to increase the pursued benefit while the other two fit variables are not necessarily to be so. In line with this, therefore, the focus should be put on the TRANSFER dimension or more broadly on the benefit-providing related similarities when investigating how two product categories fit one and other.

The consistency between the image of the parent brand and the extension was identified as a key factor in predicting the success of the extension. The extended study showed that as a whole, IMAGE was the most important predicting variable of all in the model. This indicates that in deciding whether or not to extend a brand

name to a particular product, much emphasis should be put on the associations of the brand and their relevance to the extension. Again, the relevance of the brand associations should closely linked to the benefits consumers pursue, especially in the extension product category. Some associations may be not highly valued in the original product category but they may in the extension product category, and vice versa. This means that association rich brand may stretch father than otherwise brand on one hand, and the nature of the associations plays very important role in determining the appropriateness of a particular extension on the other. As brand associations may differ among different cultures and different segments, the success of the extension of a specific brand in one market does not necessarily guarantee the same fortune in other markets. From this perspective, therefore, exploring the extendibility of a brand name market by market is both desirable and necessary.

Competition intensity was found to positively related to consumer's attitude towards brand extension. Though this finding does not apply to all the extensions, it provides evidence from consumer's side, at least for some product categories, that the late entry instead of early entry into a maturity market by using brand extension is justifiable. Sullivan's study (1992) shows that it is generally right for managers to use new brands in new product categories and brand extensions in mature markets, and she justifies this from firm's perspective. From a consumer's standpoint, or more precisely, from the angle of whether consumers are in a more ready or willing state to accept the brand extension, her conclusion is partially true. That is, in developing countries, it holds only for non-durable extensions. It is obvious, therefore, the opportunity still exists to extend established brands to some new product categories.

The findings that consumer differs in evaluating durable extensions and non-durable extension point to the important role of consumer's involvement in predicting the success of the brand extension. The lesser effect of the perceived quality of the parent brand, along with the more prominent impact of TRANSFER on evaluation of durable extensions, indicates that for more involved products, consumers are more dependent on the credibility of the firm on one hand and the fit between the two



product categories to make judgement about the extension on the other. While for less involved products, consumers are more dependent on the preferences to the parent brand to infer the quality of the extension product. In developing marketing mix, therefore, different strategies should be designed for high involvement and low involvement extension products. For example, for high involvement extension, much effort should be put on displaying the firm's ability to add value to the extension product. While for low involvement extension, emphasis may need to be directed to enhancing consumer's preferences towards the parent brand and establishing the association between the parent brand and the extension.

In developing countries, the difficulty of making the extension plays much more important role in determining consumer's attitude towards the brand extension than in developed countries. This is closely related to the economic and legal environments in developing countries characterised with lower economic development level, abundance of low quality products and faked products, and weak protection to the intellectual properties and consumer rights. Under this environment, consumers are generally less confident in new offerings and more likely to elicit suspicions or negative associations when a firm extends its established brand to some trivial products. For example, in China, consumers may be more confident in buying a "Sony" colour TV than buying a pair of "Sony" batteries, because they could obtain the guaranty from the seller for an expensive item like colour TV but not for the petty goods like batteries. Thus, when extending a well-known brand from relatively expensive product to less expensive product, or from a more complicated product to a easily made product, one of the major challenges is how to inhibit the possible negative associations and convince targeted consumers that they are not being exploited.

#### **8.4 Limitations**

This study explored how consumers in developing countries evaluated brand extensions by using consumer data from China. It not only provided evidences to

which findings observed in developed countries might be applicable or inapplicable to developing countries, but also shed lights on how to refine and extend the previous brand extension models in the context of developing economies. However, the attempts to generalise all the findings of this study to the other emerging economies and across all the consumer segments should be treated with cautions.

First, the findings commonly observed by this study and the previous studies suggest that there are some common ground for consumers' evaluations of brand extensions in both the developing and developed countries. However, the incongruities and the new findings of the study may be not fully ascribed to the shared attributes of developing economies, but partly to the distinctive characteristics of China. Thus, attempts to generalise these newly findings to other developing countries, without further scrutinising and investigations, may be rash and unwise. For example, this study found that there is a positive relationship between the difficulty of making the extension and consumers' attitudes towards the extension. As a major finding, it may hold for most developing countries characterised with low income, low product quality and weak legal protection system. However, for some middle-income developing countries, where the economic and legal environments are in large part deviant from the situation described here, the conclusion may not apply. Further, the extent of how "DIFFICULT" affect consumers' evaluations towards the brand extension may be related to culture. In a less conformable culture, the extent may vary. Thus, to identify whether the incongruities and new findings observed in this study are closely attached to China's peculiarities or not, further studies in other developing economies are needed.

Second, the use of hypothetical extensions, forced responding and very limited responding time for respondents may in some extent bias the results. For example, if respondent evaluate a hypothetical extension differently from a real one, some findings may be altered. Although this is a common problem for the studies of similar methodologies, further refinement of methodology and the use of other methodologies may be beneficial.

Third, the use of students as respondents and the limited set of brands in the study may also confine the generality of the findings. Students as respondents are widely used in academic research, however in many cases they may lack 'representationality' of general consumer. Higher education level, less social experiences, more economic dependence on their sponsors make them a unique group. Thus, findings drawn from this group may not necessarily be generalised to other consumer segments.

Fourth, using single item scales instead of multi-item scales are in both the replication and extended studies, limits the generality of the findings. However, this concern may be less prominent if taking into account of the replication nature of these two studies and the methodological consistency between them. The huge congruity of the findings between these two studies provides initial evidence that the constructs and item scales used are reliable, which is a necessary condition of the validity of these constructs and the scales. The great agreement of the findings across different nations further suggests the reliability and validity of these commonly used constructs and scales. Nevertheless, development of more valid multi-item scales in the contexts of different cultures, though a very challenging task, is highly useful and desirable.

Finally, cross-culture replication always encounters the difficulty of matching the stimuli and assuming fully identical methodology. In China replication, although much effort has been taken to make it similar to Aaker and Keller's original study, the different brands and the different languages used may exert some effect on the results. Thus, in explaining the resultant differences between China replication and the previous studies, this factor also should be kept in mind.

## 8.5 Future Research Directions

***Image Consistency.*** In this study, the consistency between the image of the parent brand and the associations attached to the extension was found to be one of the major determinants of brand extension. The paramount importance of image consistency in brand extension may be closely linked to the benefits consumer pursues both in the original and extension product categories. Based on this, a set of questions may be raised. For example, under what conditions consumers are more concerned with the dimensions of the image consistency which are linked with their pursued interests in the extension product category? Under which conditions they are more concerned with those aspects that are linked with their pursued interests in the original product category? Related to this, do the non-users and the actual or potential users of the original brand differ in terms of concerns on the image consistency or inconsistency? For instance, is a Rolex user concerned more about the dilution of its symbolic value than a non Rolex user when it is extended to sports wear or sun glasses?

On the other hand, image consistency or inconsistency is closely associated with the associations of the parent brand. How the number, the strength, the nature and the structure of these associations affect the extendibility of a brand name? In which conditions the highly valued associations in the original product category also treasured in the extension product category? Do the brand with more abstract associations have greater extendibility than the one with more concrete associations?

***Competition Intensity of the Extension Market.*** For some product categories, in a more matured and more competition intensive market brand extension is more favoured by consumers. This is a very interesting phenomenon observed in this study. Though consumer's 'variety seeking' motivation offers a reasonable explanation, the rationales for opposite prediction are equally convincing. If this finding could be observed in other cultures, the conclusion drawn from this finding would be more compelling. To further explore the effect of competition, some methodological improvement may be beneficial. For example, is there other more appropriate way to

conceptualise and measure the competition intensity of the extension product market? Would it be possible to control the effect of other factors such as the effect of brand affect, which may make the effect of competition more prominent. Further, does the presentation or lack of the cues about other competing brands in the extension product market make any difference to consumer's evaluation of the brand extension? Attempts to explore the effect of the competition in these directions will be useful.

***Cues of the Manufacture and the Image of Country Origin.*** Related to brand image or brand associations, another important research area deserving academic attention is how manufacture credibility and the image of country origin affect consumer's evaluation of brand extension. In some product areas and among some consumers, the cues of manufacturer and the cues of the country of origin may play dominant role in attitude formation towards a product. It was found that, when perceived purchase risks are high and consumers are less knowledgeable to the intended purchase, extrinsic cues such as brand name, manufacturer reputation, country of origin and product price are used to signal the quality of the intended product (Peterson, 1970; Stokes, 1985; Bearder and Shimp, 1982). For brand extension, under what conditions do manufacturer credibility and country of origin have little influence, and under what conditions do they moderate or dominate the influences of brand affect and product category similarity? For example, do consumers differ in evaluating the brand extension when different cues about the country of origin are presented? Does the effect of manufacturer credibility or the effect of country of origin differ among different extension product categories and different consumer groups?

***The Effect of Subjective Norms.*** According to Fishbein and Aizen (1975), buying intention or purchase behaviour is jointly determined by attitude and subjective norms. In some cases, subjective norm, or one's belief of how other people think he should do in the specific situations, may play a greater role than attitude in affecting behaviour. In this study, the effect of subject norms is not explored. There are two

considerations. First, the main objective of this study is to replicate Aaker and Keller's study and to investigate how consumers in developing countries evaluate brand extensions. As Aaker and Keller's model is a pure attitude formation model, it may divert the focus of the project if effort is put on the dimension of subjective norms. Second, though the power of attitude in predicting the success of a brand extension may be moderated by the effect of consumers' subjective norms, from a brand manager's standpoint, consumers' attitudes, in many cases, are the driven force in deciding whether or not to extend a brand name. Or at least, if all the survey data point to the unfavourable attitudes towards the proposed extension, further proceeding with it may be inappropriate. This does not suggest a minor importance of consumers' subjective norms in determining the success of an extension. To the contrary, subjective norms may greatly moderate the effect of attitude or even dominate consumers' acceptance of a brand extension. Given how little the controversy has been addressed, more academic attention should be directed to it. For example, which subjective norms are most influential to consumers' acceptance of a specific brand extension? How could these influential norms be downplayed? In what conditions do consumers' subjective norms moderate the effect of attitude, and in what conditions they dominate the effect of attitude?

***Absolute Difficult Level or Difficult Gap?*** This study found that the difficulty of making the extension is a major factor in predicting the success of the brand extension, but this hold only for non-durable extensions. Future research could productively explore which is a better predictor: the absolute difficulty level of making the extension or the difficult gap between the original product and the extension product? In addition, is there any difficulty threshold level beyond it the negative associations about the extension may be more easily elicited?

***The Feedback of the Extension on the Parent Brand.*** This is also a priority in the future research. Although many expressed concerns to the potential dilution, researchers are just beginning to examine the effect of this dimension in empirical investigations (Loken and John, 1993; John, Loken and Joiner, 1998). For the sake of

research objective, this study did not directly address this issue. However, this by no means hints any less importance of this area. In some sense, the better understanding of the determinants of brand extension is largely dependent on the understanding of the potential impact of the extension on the parent brand. Because, according to attitude formation theories (Himmelfarb and Eagly, 1974), when inconsistencies are perceived between the parent brand and the extension, consumer either adjusts his attitude towards the extension or adjusts his attitude towards the parent brand. Or in some cases, consumer inserts new rationales to reduce the perceived inconsistencies while keeping the attitudes little change. Then, under which conditions the attitude change are more likely to occur to the parent brand? to the extension? or to the both? or not at all? Investigation to these questions will be fruitful.

## BIBLIOGRAPHY

Aaker, D.A. (1991), *Managing Brand Equity*, New York: The Free Press.

Aaker, D. A. (1996), *Building Strong Brands*, New York: The Free Press.

Aaker, D. A. and K. L. Keller (1990), "Consumers evaluations of brand extensions," *Journal of Marketing*, 54 (January), 27-41.

Aaker, D. A. and K. L. Keller (1993), "Interpreting cross-cultural replications of brand extension research," *International Journal of Research in Marketing* 10, 55-59.

Achenbaum, A. (1966), "Knowledge is a thing called measurement," in *Attitude Research at Sea*, eds. by Lee Adler and Irving Crespi (Chicago: American Marketing Association), P.123.

Allen, D. (1990), *Create Value: The Financial Management of Brands*, London: The Chartered Institute of Management Accountants.

Akerlof, G. A. (1970), "The market for Lemons': Quality under uncertainty and the market mechanism," *Quarterly Journal of Economics* 84, 448-500.

Ambler, T. (1992), *Need-to Know-marketing*, London: Century Business.

Ambler, T. and C. Styles (1997), "Brand development versus new product development: towards a process model of extension decisions", *Journal of Product & Brand Management* (vol. 6), 13-26.



Anderson, A. E. (1973), "Consumer dissatisfaction: The effect of disconfirmed expectancy on perceived product performance," *Journal of Marketing Research*, 10 (February), 38-44.

Antonides, G. and W. F. Raaij (1998), *Consumer Behaviour: A European Perspective*, New York: John Wiley and Sons Ltd.

Assael, H. (1993), *Marketing: Principles and Strategy*, FL: The Dryden Press.

Barsalou, L. W. (1985), "Ideals, central tendency, and frequency of instantiation as determinants of graded structure in categories", *Journal of Experimental Psychology: Learning, Memory, and Cognition* 11, 629-649.

Barwise, P. (1993), "Brand equity: Snark or boojum?" *International Journal of Research in Marketing* 10, 55-59.

Bearder W. O. and Shimp, T. A. (1982), "The use of extrinsic cues to facilitate product adoption," *Journal of Marketing Research* (May), 229-239.

Bennett, P. D. (ed.) (1988), *Dictionary of Marketing Terms*, Chicago: American Marketing Association.

Bergnen, M. E., S. Dutta, and O. C. Walker, Jr. (1991), "Agency relationships in marketing: A review of the implications and applications of agency related theories," *Journal of Marketing* 56, 1-24.

Berkman, H. and Christopher Gilson (1986), *Consumer Behaviour: Concepts and Strategies*, Mass.: Pws Kent Publishing Company, p. 386.

Blackett, T. (1989), "The role of brand valuation in marketing strategy," *Marketing and Research Today* 17 (November), 245-248.

Blackett, T. (1991), "The valuation of brands," *Marketing Intelligence and Planning* 9, 22-25.

Bilkey, W. J. And E. Nes (1982), "Country-of origin effects on product evaluations," *Journal of International Business Studies*, 13 (Spring/Summer), 88-89.

Birkin, M. (1991), "Valuation of trademarks and brand names," In: John Murphy (ed.), *Brand Valuation*, London: Business Books Limited.

Bonner, G. and Nelson, R. (1985), "Product attributes and perceived quality: Foods," In: J. Jacoby and J. C. Olson (eds.), *Perceived Quality*, MA: Lexington Books.

Booz, Allen and Hamilton (1982), *New Products Management for the 1980's*, New York: Booz, Allen & Hamilton.

Bottomley, P. A. and Doyle, J. R. (1996), "The formation of attitudes towards brand extensions: testing and generalising Aaker and Keller's model," *International Journal of Research in Marketing* 13, 365-377.

Boush, D. M. and B. Loken (1991), "A process -tracing study of brand extension evaluation," *Journal of Marketing Research* 28 (February), 16-28.

Boush, D. M., S. Ship, B. Loken, E. Gencturk, S. Crockett, E. Kennedy, B. Minshall, D. Misurell, L. Rochford and J. Strobel (1987), "Affect generalisation to similar and dissimilar brand extensions," *Psychology and Marketing* 4, 225-237.

Bragg, A. (1986), "Back to the future," *Sales and Marketing Management* 137 (November), 61-62.

Bridges, S. (1992), "A schema unification model of brand extensions," Marketing Science Institute, Cambridge, MA, Report No. 92-123.

Broniarczyk, M. Susan and Joseph W. Alba (1994), "The importance of the brand in brand extension," *Journal of Marketing Research*, 31 (May), 214-228.

Brown, P. (1985), "New? Improved?" *Business Week* (October 21), 108-12.

Cohen, J. B. and K. Basu (1987), "Alternative models of categorisation: Toward a contingent processing framework," *Journal of Consumer Research*, 13 (March), 455-72.

Cooper, R. And T. W. Ross (1985), "Product warranties and double moral hazard," *Rand Journal of Economics* 16, 103-113.

Craig, C. S. and S. P. Douglas (1999), *International Marketing Research*, Chichester: John Wiley & Sons.

Crawford, C. M. (1979), "New products failure rates: facts and fallacies," *Research Management* (September), 9-13.

Czinkota, M. R., Ronkainen, L. A. and M. H. Moffett (1992), *International Business*, FL: The Dryden Press.

Dacim, P. A. and D. C. Smith (1994), "The effect of brand portfolio characteristics on consumer evaluations of brand," *Journal of Marketing Research* 31 (May), 229-242.

Dean, J. (1966), "Does advertising belong in the capital budget?" *Journal of Marketing* 30 (October), 15-21.

de Chernatony, L. and F. D. Riley (1998), "Defining a 'brand': Beyond the literature with experts' interpretations, *Journal of Marketing Management*, 14, 417-443.

de Chernatony, L. and M. McDonald (1992), *Creating powerful Brands*, Oxford: Butterworth Heinemann.

de Chernatony, L (1997), "Integrated brand building using brand taxonomies," *Journal of Product & Brand Management*, vol. 6, No. 1, 56-63.

de Chernatony, L. and G. McWilliam (1989), "Clarifying how marketers interpret 'brands'," *Journal of Marketing Management* 5, 153-171.

de Chernatony, L. And G. McWilliam (1990), "Appreciating brands as asset through using a two dimensional model," *International Journal of Advertising*, vol. 9, No. 2, 111-19.

Dibb, S., Simkin, L., Pride, W. M. and Ferrell, O. C. (1994), *Marketing: Concepts and Strategies* (2nd edition), Houghton Mifflin.

Doyle, P. (1989), "Building successful brands: The strategic options," *Journal of Marketing Management* 5, No. 1, 77-95.

Doyle, P. (1994), *Marketing Management and Strategy*, NJ: Prentice-Hall.

DMB&B (1994), *A New Strategy for Leadership*, DMB&B, London.

Duan Jinjin (1998), "The battle of toothpaste market," *China Top Brands*, 32-33.

Eagly, A. H. and S. Chaiken (1993), *The Psychology of Attitudes*, TX: Harcourt Brace Jovanovich.

Erdem, T. (1993), "Brand equity as a signalling phenomenon," working paper, Haas Graduate School of Business, University of California, Berkeley.

Farquhar, P. H. (1989), "Managing brand equity," *Marketing Research* (September), 24-33.

Farquhar, P. H., P. M. Herr and R. H. Fazio (1990), "Relational model for category extensions of brands," In: M. E. Goldberg, G. J. Gorn and R. W. Pollay (eds.), *Advances in Consumer Research*, Vol. 17, 856-860, UT: Association for Consumer Research.

Farquhar, P. H. and P. M. Herr (1993), "The dual structure of brand associations," In: David Aaker and A. L. Biel eds., *Brand equity and Advertising*, New Jersey: Lawrence Erlbaum Associates, Inc., 263-277.

Feldwick, P. (1991), "Defining a brand," In: Don Cowley ed., *Understanding Brands*, London: Kogan Page.

Festinger, L. (1957), *A Theory of Cognitive Dissonance*, New York: Harper & Row.

Fishbein, M. and I. Aizen (1975), *Belief, Attitude, Intention and Behaviour: An introduction to Theory and Research*, Mass.: Addison Wesley.

Fishwick, F. (1993), *Making Sense of Competition Policy*, London: Kogan Page.

Fisk, S. T. and M. A. Pavelchak (1986), "Category -based versus piecemeal-based affective responses: Development in Schema-triggered affect," In: M. S. Richard and E. T. Higgins eds., *The Handbook of Motivation and Cognition: Foundations of Social Behaviour*, New York: Guilford Press.

Ford, R. (1990), "Insurance advertising in the 1990's," *ADMAP* (June), 22-25.

Francois, P. and D. MacLachlan (1996), "Ecological validation of alternative customer-based brand strength measures," *International Journal of Research in Marketing* 12, 321-332.

Fry, J. N. (1967), "Family branding and consumer brand choice," *Journal of Marketing Research* 4 (August), 237-247.

Fu Guoqun (1995), "On developing domestic powerful brands in China," *Wuhan University Journal* (November), 28-34.

Fu Guoqun and John Saunders (1994), "China's regulated marketing mix: The role State Administration Bureau for Industry and Commerce," *Journal of Marketing Management* 10.

Gallop China (1998), Recognition Survey of the Global brands in China," *China Top Brands*, 38-39.

Gan Biquan (1997), *Marketing Principle*, Wuhan: Wuhan University Press.

Gardner, B. B. and S. J. Levy (1955), "The product and the brand," *Harvard Business Review* (March-April), 33-39.

Gatignon, H., Weith, B. and P. Bansal (1990), "Brand introduction strategies and competitive environments," *Journal of Marketing Research* 27 (November), 390-401.

Goodyear, M. (1991), "The five states of advertising literacy," *ADMAP* (March), 19-21.

Grossman, S. J. (1981), "the informational role of warranties and private disclosure about product quality," *Journal of Law and Economics* 24, 461-483.

Guilding, C. and R. Pike (1990), "Intangible marketing assets: a managerial accounting perspective," *Accounting and Business Research* 21, 41-49.

Haigh, D. (1996), *A Review of Current Practice of Brand Valuation*, London: Interbrand Group.

Hambleton, R. K. (1993), "Translating achievement tests for use in corss-national studies," *European Journal of Psychological Assessment* 9, 57-68.

Han, M.C. (1989), "Country image: Halo or summary construct?" *Journal of Marketing Research* (vol. 9), pp. 222-229.

Hartman, C. L, Price, L. L., and C. P. Duncan (1990), "Consumer evaluation of franchise extension products: A categorisation processing perspective," *Advances in Consumer Research* 17, 120-127.

Hawkins, D., Best, J. R., and A. K. Coney (1995), *Consumer Behaviour*, IL: Richard D. Irwin.

Herr, P.M., Farquhar, P. H. And R. H. Fazio (1992), "Using dominance measures to evaluate brand extensions" (working paper), The Claremont Graduate School, Claremont, CA.

Himmeelfarb, S. and A. H. Eagly (1975), *Readings in Attitude Change*, New York: John Wiley & Sons.

Hubbard, R. And J. S. Armstrong (1994), "Replications and extensions in marketing: Rarely published but quite contrary," *International Journal of Research in Marketing* 11, 233-248.

Laforet, S. (1995), *Corporate Brand Hierarchies*, Doctoral Dissertation, Loughborough University of Technology.

Laforet, S. and J. Saunders (1994), "Managing brand portfolios: How the leaders do it," *Journal of Advertising Research*, 64-76.

Lance, C. E. (1988), "Residual centring, exploratory and confirmatory moderator analysis, and decomposition of effects in path models containing interactions," *Applied Psychological Measurement* 12, 163-175

Leuthesser, L. ed. (1988), *Defining, measuring and Managing Brand Equity: A Conference Summary*, Report No. 88-104, Cambridge, MA: Marketing Science Institute.

Li Pinyuan (1993), *Marketing Psychology*, Northwest University of Economics and Finance Press.

Li Jingwen (1997), "China's economy in 1990's: History and prospects," *China Social Science* 1, 22-32.

Li Shiyong (1984), *Consumer Behaviour*, Beijing: China Industry and Commerce Publishing Ltd.

Liu Diayuan and Tan Chentai (1990), *Modern Economics Theories*, Wuhan: Wuhan University Press.



Li Zhonggui (1988), *The Introduction to Chinese Culture*, Guang Zhuo: Zhong San University Press.

Loken, B. and D. R. John (1993), "Diluting brand beliefs: When do brand extensions have a negative impact?" *Journal of marketing* 57 (July), 71-84.

Loken, B. and J. Ward (1990), "Alternative approaches to understanding the determinants of typicality," *Journal of Consumer Research* 17, 111-126.

Louviere, J. and R. Johnson (1988), "Measuring brand image with conjoint analysis and choice models," In: L. Leuthesser (ed.), *Defining, Measuring and Managing Brand Equity: A Conference Summary*, Marketing Science Report 88-104, 20-22.

Low, G. S. and R. A. Fullerton (1994), "Brands, brand management and the brand manager system: A critical-historical evaluation," *Journal of Marketing Research* (May), 173-190.

Luo Taihong (1997), "A glance of China domestic brands," *The Journal of Zhong San University* (May), 1-10.

Jing Chunfeng (1987), *History of Han Dynasty*, Beijing: China Social Science Academy Press.

John, D. R., B. Loken and C. Joiner (1998), "The negative impacts of extensions: Can flagship products be diluted?" *Journal of Marketing* 62 (January), 19-32.

Johns, J. (1986), *What's in a name? Advertising and the Concept of Brands*, Lexington: Lexington Books.

Kamakura, W. A. and G. J. Russel (1989), "A probabilistic choice model for market segmentation and elasticity structure," *Journal of Marketing Research* 26 (November), 379-390.

Kamakura, W. A. and G. J. Russel (1993), "Measuring brand value with scanner data," *International Journal of Research in Marketing* 10, 9-22.

Keller, K. L. (1993), "Conceptualising, measuring and managing customer-based brand equity," *Journal of Marketing* 57 (January), 1-22.

Keller, K. L. and D. Aaker (1992), "The effects of sequential introduction of brand extensions," *Journal of Marketing Research* 24 (February), 35-50.

Kelman, H. C. (1958), "compliance, identification and internalisation: Three processes of attitude change," *Journal of Conflict Resolution* 2, 51-60.

Klein, B. and K. Leffler (1981), "The role of market forces in assuring contractual performance." *Journal of Political Economy* 4, 615-639.

Kluckhohn, C. (1991), "The study of culture," in D. Lerner and H. D. Cesswell eds., *The Policy Sciences*, California: Stanford University Press.

King, C. W. And J. O. Summers (1970), "Overlap of opinion leadership across product categories," *Journal of Marketing Research* 7, 43-50.

Kinsey, J. (1988), *Marketing in Developing Countries*, London: Macmillan.

Kong Deyi (1984), *Antecedents of Kong Clan*, Tian Jing: Tian Jing People's Press.

Kotler, P.(1988), *Marketing Management*, 6th ed., Englewood Cliffs, NJ: Prentice-Hall.

Kotler, P. (1994), *Marketing Management*, 8th ed., Englewood Cliffs, NJ: Prentice Hall.

Kotler, P. and G. Armstrong (1997), *Principles of Marketing*, Englewood Cliffs, NJ: Prentice-Hall.

Kreps, D. M. (1991), *A Course in Microeconomics Theory*, New Jersey: Princeton University Press.

Krishnan, H. S. (1996), "Characteristics of memory associations: A consumer-based brand equity perspective," *International Journal of Research in Marketing* 13, 389-405.

Malhotra, N. K. (1996), *Marketing Research: An Applied Orientation*, New Jersey: Prentice-Hall.

MacInnis, D. J. and K. Nalamoto (1990), "Examining factors that influence the perceived goodness of brand extension," working paper No. 54, Karl Eller Graduate school of management, University of Arizona.

Ma Maochao and Gao Dan (1987), *Consumer Behaviour*, Beijing: China Industry and Commerce Press.

Maslow, A. H. (1954), *Motivation and Personality*, New York: Harper & Row, 1954, pp. 80-106.

Mowen, C. John (1993), *Consumer Behaviour*, London: Macmillan.

Murphy, J. (1990), "Assessing the value of brands," *Long Range Planning* 23, No. 3, 23-29.

Murphy, J. ed. (1992), *Branding: A Key Marketing Tool* (2nd ed.), London: Macmillan.

Myers, J. H. and M. I. Alpert (1968), "Determinant buying attitudes: Meaning and measurement," *Journal of Marketing* 32 (October), 13-20.

Nagle, T.T. (1979), "A theory of brands and brand management," Working Paper, University of Chicago.

Nijssen, E. J. and D. Hartman (1994), "Consumer evaluations of brand extensions: An integration of previous research," In: J. Bloemer, J. Lemmink and H. Kasper eds., *Proceedings of 23rd. European Marketing Academy Conference*, Maastricht, 673-683.

Nijssen, E. J., R. Uijl and P. Bucklin (1995), "The effect of involvement on brand extensions," In: M. Bergadaa eds., *Proceedings of 23rd. European Marketing Academy Conference*, Paris, 867-893.

Olson, J. M. and M. P. Zanna (1993), "Attitudes and attitude change," *Annual Review of Psychology*, 44, 117-54.

Paliwoda, S. (1993), *International Marketing*, Oxford: Butterworth-Heinemann Ltd.

Park, C. S. and V. Srinivasan (1994), "A survey-based method for measuring and understanding brand equity and its extendibility," *Journal of Marketing Research*, 31(May), 271-88.

Park, C. W., B. J. Jaworski and D. J. MacInnis (1986), "Strategic brand concept-image management," *Journal of Marketing* 50 (October), 135-45.

- Park, C. W., S. Milberg and R. Lawson (1991), "Evaluation of brand extensions: The role of product feature similarity and brand concept consistency," *Journal of Consumer Research* 18, 185-193.
- Park, C. W., Sung Youl Jun and A. D. Shocker (1996), "Composite branding alliances: An investigation of extension and feedback effects," *Journal of Marketing Research* 33 (November), 453-466.
- Park, C. W. and V. Parker Lessig (1981), "Familiarity and its impact on consumer biases and heuristics," *Journal of Consumer Research* 8 (September), 223-30
- Pavlov I. P. (1927), *Conditioned Reflexes*, New York: Oxford University Press.
- Peterson R. A. (1970), "The price and perceived quality relationship: Experimental evidence," *Journal of Marketing Research* 7, 525-528.
- Philip, J. (1986), *What's in a Name*, London: Gower Publishing Company.
- Pike, K. (1966), *Language in Relation to a Unified Theory of the Structure of Human Behaviour*, Mouton: The Hague.
- Rangaswamy, A., Burke, R. and A. O. Eerence (1993), "Brand equity and the extendibility of brand names," *International Journal of Research in Marketing* 10, 61-75.
- Rao, A. R. and M. E. Bergen (1992), "Price premium variations as a consequence of buyer's lack of information," *Journal of Consumer Research* 18, 412-423.
- Rao, A. R. and R. W. Ruekert (1994), "Brand alliances as signals of product quality," *Sloan Management Review* (Fall), 87-97.

Raven, B. H. and J. Z. Rubin (1983), *Social Psychology*, New York: John Wiley & Sons.

Reddy, S. K., S. L. Holak and S. Bhat (1994), "To extend or not to extend: Success determinants of line extensions," *Journal of Marketing Research* 31 (May), 243-62.

Roman, H. S. (1969), "Semantic generalisation in formation of consumer attitudes," *Journal of Marketing Research* 6 (August) 369-373.

Romeo, J. B. (1991), "The effects of negative information on the evaluations of brand extensions and family brand," In: *Advances in Consumer Research*, Vol. 18, Rebecca H. Holman and Michael R. Solomon eds., Association for Consumer Research.

Roux, E. (1995), "Consumer Evaluation of Luxury Brand Extensions," In: M. Bergadaa ed., *Proceedings of 24th European Marketing Academy Conference*, Paris, 1971-1979.

Ryan, C. (1994), *The Master Marketer: How to Combine Tried and Tested Techniques with the Latest Ideas to Achieve spectacular Marketing Success*, London: Kogan Page.

Saunders, J. And Fu Guoqun (1996), "Dual branding: How corporate name adds value," *Journal of Marketing Intelligence & Planning*.

Shapiro, C. (1983), "premiums for high quality products as rents to reputation", *Quarterly Journal of Economics* 98, 659-680.

Sheth, J., B. Newman and B. Gross (1991), "Why we buy what we buy: a theory of consumption values," *Journal of Business Research* 22, 159-170.

Shoker, A. D. And V. Srinivasan (1979), "Multiattribute approaches for product concept evaluation: A critical review," *Journal of Marketing Research*, 16 (May), 159-80.

Shocker, A. D. and B. Weitz (1988), "A perspective on brand equity principles and issues: Summary of Marketing Science Institute Conference," Report No. 88-104, Cambridge, MA.

Si Dongfei (1996), "Product differentiation and branding," *Shanghai Reform* 2, 30-31.

Simon, C. J. and M. W. Sullivan (1990), "The measurement and determinants of brand equity: A financial approach," working paper, Graduate School of Business, University of Chicago.

Simon, C. J. and M. W. Sullivan (1993), "The measurement and determinants of brand equity: A financial approach," *Marketing Science* 12 (Winter), 28-52.

Smith, D. C. and C. W. Park (1992), "The effect of brand extension on market share and advertising efficiency," *Journal of Marketing Research* 29 (August), 296-313

Solman, M. and B. Buchanan (1991), "A role theoretic approach to product symbolism: Mapping a consumption constellation," *Journal of Business Research* 22, 95-109.

Stobart, P. (1989), "Alternative methods of brand valuation," In: J. Murphy (ed.), *Brand Valuation: Establishing a True and Fair View*, London: The Interbrand Group.

Stobart, P. (1994), *Brand Power*, London: Macmillan.

- Srinivasan, V. (1979), "Network models for estimating brand specific effects in multi-attribute marketing models," *Management Science* 25 (January), 11-21.
- Srinivasan, V. and A. D. Shocker (1991), "Brand equity: A perspective on its meaning and measurement," working paper No. 91-124, Cambridge, MA: Marketing Science Institute.
- Stokes, R. (1985), "The effects of price, package design, and brand familiarity on perceived quality," in Jacoby ed. *Perceived Quality*, D. C. Heath and Company, 233-245.
- Styles, C. and T. Ambler (1995), "Brand management," in S. Crainer ed., *Financial Times Handbook of Management*, London: Pitman, 793-806.
- Sullivan, M. (1990), "Measuring image spillovers in umbrella branded products," *The Journal of Business* 63 (July), 309-29.
- Sullivan, M. (1992), "Brand extensions: When to use them," *Management Science* 38 (June), 793-806.
- Sunde, L. and R. J. Brodie (1993), "Consumer evaluations of brand extensions: Further empirical evidence," *International Journal of Research in Marketing* 10, 47-53.
- Swait, J., J. Louviere and C. Dubelaar (1993), "The equalisation price: A measure of consumer-perceived brand equity," *International Journal of Research in Marketing* 10, 23-45.
- Tan Xisheng and Liu Xun (1985), "Pricing policies for CCTV advertising," *China Advertising* 2, 23-25.



- Tang Yuhao and Qi Chen (1997), "Explanations and comments on the survey of consumer product brands in the major cities," *China Top Brands* 3, 56-61.
- Tauber, E. M. (1988), "Brand leverage: Strategy for growth in a cost-control world," *Journal of Advertising Research* (August/September), 26-33.
- Tauber, E. M. (1993), "Fit and leverage in brand extensions," In: David Aaker and A. L. Biel eds., *Brand Equity and Advertising*, New Jersey: Lawrence Erlbaum Associates, Inc., 313-318.
- Telser, T. (1980), "A theory of self-enforcing agreements," *Journal of Business* 53, 27-44.
- Tesser, A and D. Shaffer (1990), "Attitudes and attitude change," *Annual Review of Psychology* 41, 479-524.
- Thurstone, L. L. (1931), "The measurement of social attitudes," *Journal of Abnormal and Social Psychology* 26, 249-269.
- Tian Zilong (1990), *Marketing Research*, Hua Zhong University of Science and Technology Press.
- Wahba, M. A. and L. G. Bridwell (1976), "Maslow reconsidered: a review of research on the need hierarchy theory," *Organisational Behaviour and Human Performance* 15, 212-240.
- Wang Lingang (1994), "Commentary on the brand recognition survey," *China top Brands* 1, 14-18.
- Wersers, R. M. (1988), *Marketing Research*, New Jersey; Prentice-Hall.

Wolf, A. (1993), *Profit from Strategic Marketing: How to Succeed in Business Markets*, London: Pitman.

Wood, L. M. (1995), "Brands: The asset test," *Journal of Marketing Management* 11, 547-570.

Wood, L. M. (1996), "Added value: Marketing basics?" *Journal of Marketing Management* 12, 735-755.

Yau, O. H. M. (1994), *Consumer Behaviour in China*, London: Reutledge.

Young and Rubicam (1994), *Brand Asset Valuator*, London: Young and Rubicam.

Zeithaml, Valarie A. (1988), "Consumer perceptions of price, quality, and value: A means-end and synthesis of evidence," *Journal of Marketing* 52 (July), 2-22.

## **Appendix One**

### **Questionnaires Used in the Replication Study (English Version)**

## Brand Extension (Questionnaire One)

January 1994

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

### Section One

1. Please evaluate "Toyota" car in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

2. Please evaluate "Liang Mian Zheng" toothpaste in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

### Section Two

*Brand extension refers to use an established brand to a product category which is different from the original product category. "Haier" computer, "Wa Ha Ha" mineral water are typical example of brand extension. The following questions are related to brand extension one way or another.*

3. How is it likely for you to try the following extensions assuming you are planning a purchase in the indicated product classes (please ticking in the appropriate box)?

(1) "Toyota" car: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(2) "Toyota" watch: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(3) "Toyota" walkman: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

- (4) "Liang Mian Zheng"  
chewing gum:      Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely
- (5) "Liang Mian Zheng"  
mouthwash:      Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely
- (6) "Liang Mian Zheng"  
chocolate:      Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

4. How do you perceive the quality of the following Products?

- (1) "Toyota" shirt:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior
- (2) "Toyota" watch:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior
- (3) "Toyota" walkman:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior
- (4) "Liang Mian Zheng"  
chewing gum:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior
- (5) "Liang Mian Zheng"  
mouthwash:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior
- (6) "Liang Mian Zheng"  
chocolate:      Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

5. Transferability

- (1) Would the resources and expertise in developing, refining and making "Toyota car" be helpful in making "Toyota" shirt?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

- (2) Would the resources and expertise in developing, refining and making "Toyota" car be helpful in making "Toyota" watch?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

- (3) Would the resources and expertise in developing, refining and making "Toyota" car be helpful in making "Toyota walkman"?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(4) Would the resources and expertise in developing, refining and making “Liang Mian Zheng” toothpaste be helpful in making “Liang Mian Zheng” chewing gum?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(5) Would the resources and expertise in developing, refining and making “Liang Mian Zheng” toothpaste be helpful in making “Liang Mian Zheng” mouthwash?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(6) Would the resources and expertise in developing, refining and making “Liang Mian Zheng” toothpaste be helpful in making “Liang Mian Zheng” chocolate?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

6. Please evaluate the complementarity of the following paired products (complementarity refers to the extent or possibility that the two products would be used together in some situations. For example, fountain pen and ink have high complementarity while fountain pen and watch have relative low complementarity).

(1) “Toyota” car and “Toyota” shirt:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(2) “Toyota” car and “Toyota” watch:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(3) “Toyota” car and “Toyota” walkman:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(4) “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” chewing gum:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(5) “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” mouthwash:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(6) “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” chocolate:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

7. Please evaluate the substitute extent of the following paired products (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low while it is relatively high for fountain pen and ball-pen).

(1) "Toyota" car and "Toyota" shirt:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(2) "Toyota" car and "Toyota" watch:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(3) "Toyota" car and "Toyota" walkman:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(4) "Liang Mian Zheng" toothpaste and "Liang Mian Zheng" chewing gum:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(5) "Liang Mian Zheng" toothpaste and "Liang Mian Zheng" mouthwash:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(6) "Liang Mian Zheng" toothpaste and "Liang Mian Zheng" chocolate:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

8. How difficult is it to make each of the following products?

(1) Shirt: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(2) Watch: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(3) Walkman: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(4) Chewing gum: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

5) Mouthwash: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(6) Chocolate: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

9. Your sex? (1) Male (2) Female

**Thank you for your co-operation!!**



## Brand Extension (Questionnaire Two)

January 1994

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

### Section One

1. Please evaluate "Qing Dao" beer in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

2. Please evaluate "Seiko" watch in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

### Section Two

*Brand extension refers to use an established brand to a product category which is different from the original product category. "Haier" computer, "Wa Ha Ha" mineral water are typical example of brand extension. The following questions are related to brand extension one way or another.*

3. How is it likely for you to try the following products assuming you are planning a purchase in the indicated product classes (please ticking in the appropriate box)?

(1) "Qing Dao" wine: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(2) "Qing Dao" mineral water: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(3) "Qing Dao" popcorn: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(4) "Seiko" sunglasses: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) "Seiko" walkman: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(6) "Seiko" popcorn: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

4. How do you perceive the quality of the following Products?

(1) "Qing Dao" wine: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(2) "Qing Dao"  
mineral water: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) "Qing Dao" popcorn: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(4) "Seiko" sunglasses: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(5) "Seiko" walkman: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(6) "Seiko" popcorn: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

5. Transferability

(1) Would the resources and expertise in developing, refining and making "Qing Dao" beer be helpful in making "Qing Dao" wine?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(2) Would the resources and expertise in developing, refining and making "Qing Dao" beer be helpful in making "Qing Dao" mineral water?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(3) Would the resources and expertise in developing, refining and making "Qing Dao" beer be helpful in making "Qing Dao" popcorn?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(4) Would the resources and expertise in developing, refining and making “Seiko” watch be helpful in making “Seiko” sunglasses?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(5) Would the resources and expertise in developing, refining and making “Seiko” watch be helpful in making “Seiko” walkman?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(6) Would the resources and expertise in developing, refining and making “Seiko” watch be helpful in making “Seiko” popcorn?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

6. Please evaluate the complementarity of the following paired products (complementarity refers to the extent or possibility that the two products would be used together in some situations. For example, fountain pen and ink have high complementarity while fountain pen and watch have relative low complementarity).

(1) “Qing Dao” beer and “Qing Dao” wine:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(2) “Qing Dao” beer and “Qing Dao” mineral water:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(3) “Qing Dao” beer and “Qing Dao” popcorn:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(4) “Seiko” watch and “Seiko” sunglasses

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(5) “Seiko” watch and “Seiko” walkman:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(6) “Seiko” watch and “Seiko” popcorn:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

7. Please evaluate the substitute extent of the following paired products (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low while it is relatively high for fountain pen and ball-pen).

(1) "Qing Dao" beer and "Qing Dao" wine:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(2) "Qing Dao" beer and "Qing Dao" mineral water:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(3) "Qing Dao" beer and "Qing Dao" popcorn:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(4) "Seiko" watch and "Seiko" sunglasses

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(5) "Seiko" watch and "Seiko" walkman:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(6) "Seiko" watch and "Seiko" popcorn:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

8. How difficult is it to make each of the following products?

(1) Wine: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(2) Mineral water: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(3) Popcorn : Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(4) Sunglasses: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(5) Walkman: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

9. Your sex? (1) Male (2) Female

**Thank you for your co-operation!!**

## Brand Extension (Questionnaire Three)

January 1994

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

### Section One

1. Please evaluate "Head & Shoulders" shampoo in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

2. Please evaluate "Jian Libao" orange juice in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

### Section Two

*Brand extension refers to use an established brand to a product category which is different from the original product category. "Haier" computer, "Wa Ha Ha" mineral water are typical example of brand extension. The following questions are related to brand extension one way or another.*

3. How is it likely for you to try the following products assuming you are planning a purchase in the indicated product classes (please ticking in the appropriate box)?

(1) "Head & Shoulders"  
shampoo : Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(2) "Head & Shoulders"  
sun cream: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(3) "Head & Shoulders"

perfume:

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(4) "Jian Libao"

mineral water:

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) "Jian Lobao" biscuit: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(6) "Jian Lobao" candy: Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

4. How do you perceive the quality of the following Products?

(1) "Head & Shoulders"

sun cream:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(2) "Head & Shoulders"

perfume:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) "Head & Shoulders"

sports wear:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(4) "Jian Libao"

mineral water:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(5) "Jian Libao" biscuit: Inferior

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(6) "Jian Libao" candy: Inferior

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

5. Transferability

(1) Would the resources and expertise in developing, refining and making "Head & Shoulders" shampoo be helpful in making "Head & Shoulders" sun cream?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(2) Would the resources and expertise in developing, refining and making "Head & Shoulders" shampoo be helpful in making "Head & Shoulders" perfume?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(3) Would the resources and expertise in developing, refining and making “Head & Shoulders” shampoo be helpful in making “Head & Shoulders” sports wear?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(4) Would the resources and expertise in developing, refining and making “Jian Libao” orange juice be helpful in making “Jian Libao” mineral water?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(5) Would the resources and expertise in developing, refining and making “Jian Libao” orange juice be helpful in making “Jian Libao” biscuit?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

(6) Would the resources and expertise in developing, refining and making “Jian Libao” orange be helpful in making “Jian Libao” candy?

Extremely unhelpful    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely helpful

6. Please evaluate the complementarity of the following paired products ( complementarity refers to the extent or possibility that the two products would be used together in some situations. For example, fountain pen and ink have high complementarity while fountain pen and watch have relative low complementarity).

(1) “Head & Shoulders” shampoo and “Head & Shoulders” sun cream:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(2) “Head & Shoulders” shampoo and “Head & Shoulders” perfume:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(3) “Head & Shoulders” shampoo and “Head & Shoulders” sports wear:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high

(4) “Jian Libao” orange juice and “Jian Libao” mineral water:

Extremely low    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely high



(5) “Jian Lobao” orange juice and “jian Libao” biscuit:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(6) “Jian Libao” orange juice and “Jian Libao” candy:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

7. Please evaluate the substitute extent of the following paired products (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low while it is relatively high for fountain pen and ballpoint pen).

(1) “Head & Shoulders” shampoo and “Head & Shoulders” sun cream:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(2) “Head & Shoulders” shampoo and “Head & Shoulders” perfume:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(3) “Head & Shoulders” shampoo and “Head & Shoulders” sports wear:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(4) “Jian Libao” orange juice and “Jian Libao” mineral water:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(5) “Jian Lobao” orange juice and “jian Libao” biscuit:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

(6) “Jian Libao” orange juice and “Jian Libao” candy:

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

8. How difficult is it to make the following products?

(1) Sun cream      Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(2) Perfume:      Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(3) Sports wear:      Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

- (4) Mineral water: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (5) Biscuit: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (6) Candy: Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
9. Your sex? (1) Male (2) Female

**Thank you for your co-operation!!**

## **Appendix Two**

Measurement Pre-test Questionnaire (English Version)

## Measurement Pre-test Questionnaire

September 1998

*The products involved in this short questionnaire are yet to be on sale. Before selling them in market, we would like to know your authentic opinions. Please feel free to make your evaluations and comments.*

1. How would you like "Jian Libao" mineral water (please tick in the appropriate box)?

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

2. How would you like "Seiko" walkman?

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

3. How would you like "Liang Mian Zheng" chewing gum?

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

4. How do you perceive the quality of "Jian Libao" mineral water?

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

5. How do you perceive the quality of "Seiko" walkman?

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

6. How do you perceive the quality of "Liang Mian Zheng" chewing gum?

Extremely low 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely high

7. Your sex?      (1) male                      (2) female

**Thank you for your co-operation !!**

## **Appendix Three**

Questionnaires used in the Extended Study (English Version)

# Consumer Evaluations of Brand Extensions (Questionnaire 1)

September 1998

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

## Section One

1. Please evaluate "Toyota" car in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

2. Please evaluate "Liang Mian Zheng" toothpaste in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

## Section Two

*The manufacturer of "Toyota" car intends to launch shirt, watch and walkman, and uses "Toyota" brand name on them. Please evaluate these three products in the specified dimensions.*

### 3. "Toyota" shirt

(1) Your preference to "Toyota" shirt:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Toyota" shirt:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Toyota" shirt consistent with the image of "Toyota" car?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Toyota" car and "Toyota" shirt complement one another? (complement extent refers to the possibility that the two products would be used together in some situations. For example, the complement extent of fountain pen and ink are relatively high while that of fountain pen and watch is relative low).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Toyota" car and "Toyota" shirt substitute one another? (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low substitute extent while it is relatively high for fountain pen and ballpoint pen).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

#### 4 "Toyota" watch

(1) Your preference to "Toyota" watch:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Toyota" watch:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Toyota" watch consistent with the image of "Toyota" car?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Toyota" car and "Toyota" watch complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Toyota" car and "Toyota" watch substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 5. "Toyota" walkman

(1) Your preference to "Toyota" walkman:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Toyota" walkman:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Toyota" walkman consistent with the image of "Toyota" car?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Toyota" car and "Toyota" walkman complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Toyota" car and "Toyota" walkman substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

*The manufacturer of "Liang Mian Zheng" toothpaste intends to launch chewing gum, mouthwash and chocolate, and uses "Liang Mian Zheng" brand name on them. Please evaluate these three products in the specified dimensions.*

### 6. "Liang Mian Zheng" chewing gum

(1) Your preference to "Liang Mian Zheng" chewing gum:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Liang Mian Zheng" chewing gum:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Liang Mian Zheng" chewing gum consistent with the image of "Liang Mian Zheng" toothpaste?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent



(4) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” chewing gum complement one another?

Extremely unlikely    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely likely

(5) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian zheng” chewing gum substitute one another?

Extremely unlikely    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely likely

### 7. “Liang Mian Zheng” mouthwash

(1) Your preference to “Liang Mian Zheng” mouthwash:

Extremely dislike    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely like

(2) The perceived quality of “Liang Mian Zheng” mouthwash:

Inferior    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Superior

(3) Are the associations attached to “Liang Mian Zheng” mouthwash consistent with the image of “Liang Mian Zheng” toothpaste?

Highly inconsistent    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Highly consistent

(4) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” mouthwash complement one another?

Extremely unlikely    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely likely

(5) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” mouthwash substitute one another?

Extremely unlikely    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely likely

### 8. “Liang Mian Zheng” chocolate

(1) Your preference to “Liang Mian Zheng” chocolate:

Extremely dislike    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Extremely like

(2) The perceived quality of “Liang Mian Zheng” chocolate:

Inferior    

1	2	3	4	5	6	7
---	---	---	---	---	---	---

    Superior

(3) Are the associations attached to “Liang Mian Zheng” chocolate consistent with the image of “Liang Mian Zheng” toothpaste?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” chocolate complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Liang Mian Zheng” toothpaste and “Liang Mian Zheng” chocolate substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### Section Three

#### 9. Is it difficult to make each of the following products?

- (1) Shirt:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (2) Watch:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (3) Walkman:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (4) Chewing gum:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (5) Mouthwash:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (6) Chocolate:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

#### 10. Transferability

(1) Would the resources and expertise in developing, refining and making car be helpful in making shirt?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(2) Would the resources and expertise in developing, refining and making car be helpful in making watch?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(3) Would the resources and expertise in developing, refining and making car be helpful in making walkman?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(4) Would the resources and expertise in developing, refining and making toothpaste be helpful in making chewing gum?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(5) Would the resources and expertise in developing, refining and making toothpaste be helpful in making mouthwash?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(6) Would the resources and expertise in developing, refining and making toothpaste be helpful in making chocolate?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

### 11. The Existing Brands

(1) Shirt market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(2) Watch market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(3) Walkman market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(4) Chewing gum market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(5) Mouthwash market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(6) Chocolate market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

## 12. The General Attitude to the Existing Brands

(1) Among the existing brands in shirt market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(2) Among the existing brands in watch market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(3) Among the existing brands in walkman market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(4) Among the existing brands in chewing gum market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(5) Among the existing brands in mouthwash market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(6) Among the existing brands in chocolate market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

13. Your sex? (1) Male

(2) Female

**Thank you very much!**

## Consumer Evaluations of Brand Extensions (Questionnaire 2)

September 1998

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

### Section One

1. Please evaluate "Qing Dao" beer in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

2. Please evaluate "Seiko" watch in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

### Section Two

*The manufacturer of "Qing Dao" beer intends to launch wine, mineral water and popcorn, and uses "Qing Dao" brand name on them. Please evaluate these three products in the specified dimensions.*

#### 3. "Qing Dao" wine

(1) Your preference to "Qing Dao" wine:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Qing Dao" wine:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Qing Dao” wine consistent with the image of “Qing Dao” beer?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Qing Dao” beer and “Qing Dao” wine complement one another? (complement extent refers to the possibility that the two products would be used together in some situations. For example, the complement extent of fountain pen and ink are relatively high while that of fountain pen and watch is relative low).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Qing Dao” beer and “Qing Dao” wine substitute one another? (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low while it is relatively high for fountain pen and ballpoint pen).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

#### 4 “Qing Dao” mineral water

(1) Your preference to “Qing Dao” mineral water:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of “Qing Dao” mineral water:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Qing Dao” mineral water consistent with the image of “Qing Dao” beer?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Qing Dao” beer and “Qing Dao” mineral water complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Qing Dao” beer and “Qing Dao” mineral water substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 5. "Qing Dao" popcorn

(1) Your preference to "Qing Dao" popcorn:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Qing Dao" popcorn:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Qing Dao" popcorn consistent with the image of "Qing Dao" beer?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Qing Dao" beer and "Qing Dao" popcorn complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Qing Dao" beer and "Qing Dao" popcorn substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

*The manufacturer of "Seiko" watch intends to launch sun glasses, walkman and popcorn, and uses "Seiko" brand name on them. Please evaluate these three products in the specified dimensions.*

### 6. "Seiko" sun glasses

(1) Your preference to "Seiko" sun glasses:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Seiko" sun glasses:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Seiko" sun glasses consistent with the image of "Seiko" watch?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Seiko" watch and "Seiko" sun glasses complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Seiko" watch and "Seiko" sun glasses substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 7. "Seiko" walkman

(1) Your preference to "Seiko" walkman:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Seiko" walkman:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Seiko" walkman consistent with the image of "Seiko" watch?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Seiko" watch and "Seiko" walkman complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Seiko" watch and "Seiko" walkman substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 8. "Seiko" popcorn

(1) Your preference to "Seiko" popcorn:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Seiko" popcorn:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior



(3) Are the associations attached to “Seiko” popcorn consistent with the image of “Seiko” watch?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Seiko” watch and “Seiko” popcorn complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Seiko” watch and “Seiko” popcorn substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### Section Three

#### 9. Is it difficult to make each of the following products?

(1) Wine:

Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(2) Mineral water:

Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(3) Popcorn:

Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(4) Sun glasses

Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

(5) Walkman

Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

#### 10. Transferability

(1) Would the resources and expertise in developing, refining and making beer be helpful in making wine?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(2) Would the resources and expertise in developing, refining and making beer be helpful in making mineral water?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(3) Would the resources and expertise in developing, refining and making beer be helpful in making popcorn?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(4) Would the resources and expertise in developing, refining and making watch be helpful in making sun glasses?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(5) Would the resources and expertise in developing, refining and making watch be helpful in making walkman?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(6) Would the resources and expertise in developing, refining and making watch be helpful in making popcorn?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

## 11. The Existing Brands

(1) Wine market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(2) Mineral water market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(3) Popcorn market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(4) Sun glasses market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(5) Walkman market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

## 12. The General Attitude to the Existing Brands

(1) Among the existing brands in wine market, none or few are what I like very much.

Highly agree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly disagree

(2) Among the existing brands in mineral water market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(3) Among the existing brands in popcorn market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(4) Among the existing brands in sun glasses market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(5) Among the existing brands in walkman market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

**13. Your sex?** (1) Male

(2) Female

**Thank you very much!**

## Consumer Evaluations of Brand Extensions (Questionnaire 3)

September 1998

*This project is a part of my Ph.D. study. It aims to obtain your authentic opinions and attitudes towards a variety of products or brands. Your co-operation and support are crucial to the quality of the research. Please feel free to express your opinions and make your evaluation.*

### Section One

1. Please evaluate "Head & Shoulders" shampoo in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

2. Please evaluate "Jian Libao" orange juice in the following two dimensions (tick in one appropriate box).

(1) Familiarity: Unheard of 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly familiar

(2) Quality: Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

### Section Two

*The manufacturer of "Head & Shoulders" shampoo intends to launch sun cream, perfume and Sports wear, and uses "Head & Shoulders" brand name on them. Please evaluate these three products in the specified dimensions.*

#### 3. "Head & Shoulders" sun cream

(1) Your preference to "Head & Shoulders" sun cream:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Head & Shoulders" sun cream:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Head & Shoulders” sun cream consistent with the image of “Head & Shoulders” shampoo?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” sun cream complement one another? (complement extent refers to the possibility that the two products would be used together in some situations. For example, the complement extent of fountain pen and ink are relatively high while that of fountain pen and watch is relative low).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” sun cream substitute one another? (the substitute extent of two products is high if one could in some situations replace another for use, vice versa. For example, the substitute extent for fountain pen and ink is relative low while it is relatively high for fountain pen and ballpoint pen).

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

#### 4 “Head & Shoulders” perfume

(1) Your preference to “Head & Shoulders” perfume:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of “Head & Shoulders” perfume:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Head & Shoulders” perfume consistent with the image of “Head & Shoulders” shampoo?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” perfume complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” perfume substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

**5. “Head & Shoulders” Sports wear**

(1) Your preference to “Head & Shoulders” Sports wear:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of “Head & Shoulders” Sports wear:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Head & Shoulders” Sports wear consistent with the image of “Head & Shoulders” shampoo?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” Sports wear complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Head & Shoulders” shampoo and “Head & Shoulders” Sports wear substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

*The manufacturer of “Jian Libao” orange juice intends to launch mineral water, biscuit and candy, and uses “Jian Libao” brand name on them. Please evaluate these three products in the specified dimensions.*

**6. “Laing Mian Zheng” mineral water**

(1) Your preference to “Jian Libao” mineral water:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of “Jian Libao” mineral water:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Jian Libao” mineral water consistent with the image of “Jian Libao” orange juice?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Jian Libao” orange juice and “Jian Libao” mineral water complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Jian Libao” orange juice and “Jian Libao” mineral water substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 7. “Jian Libao” biscuit

(1) Your preference to “Jian Libao” biscuit:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of “Jian Libao” biscuit:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to “Jian Libao” biscuit consistent with the image of “Jian Libao” orange juice?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that “Jian Libao” orange juice and “Jian Libao” biscuit complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that “Jian Libao” orange juice and “Jian Libao” biscuit substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### 8. “Jian Libao” candy

(1) Your preference to “Jian Libao” candy:

Extremely dislike 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely like

(2) The perceived quality of "Jian Libao" candy:

Inferior 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Superior

(3) Are the associations attached to "Jian Libao" candy consistent with the image of "Jian Libao" orange juice?

Highly inconsistent 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly consistent

(4) How is it likely that "Jian Libao" orange juice and "Jian Libao" candy complement one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

(5) How is it likely that "Jian Libao" orange juice and "Jian Libao" candy substitute one another?

Extremely unlikely 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely likely

### Section Three

#### 9. Is it difficult to make each of the following products?

- (1) Sun cream:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (2) Perfume:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (3) Sports wear:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (4) Mineral water:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (5) Biscuit:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult
- (6) Candy:  
Extremely easy 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely difficult

#### 10. Transferability

(1) Would the resources and expertise in developing, refining and making car be helpful in making sun cream?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful



(2) Would the resources and expertise in developing, refining and making car be helpful in making perfume?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(3) Would the resources and expertise in developing, refining and making car be helpful in making Sports wear?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(4) Would the resources and expertise in developing, refining and making orange juice be helpful in making mineral water?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(5) Would the resources and expertise in developing, refining and making orange juice be helpful in making biscuit?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

(6) Would the resources and expertise in developing, refining and making orange juice be helpful in making candy?

Extremely unhelpful 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Extremely helpful

## 11. The Existing Brands

(1) Sun cream market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(2) Perfume market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(3) Sports wear market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(4) Mineral water market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(5) Biscuit market is dominated by one or several powerful brands:

Highly disagree 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Highly agree

(6) Candy market is dominated by one or several powerful brands:

Highly disagree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly agree

## 12. The General Attitude to the Existing Brands

(1) Among the existing brands in sun cream market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(2) Among the existing brands in perfume market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(3) Among the existing brands in Sports wear market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(4) Among the existing brands in mineral water market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(5) Among the existing brands in biscuit market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

(6) Among the existing brands in candy market, none or few are what I like very much.

Highly agree

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Highly disagree

13. Your sex? (1) Male

(2) Female

**Thank you very much!**

## **Appendix Four**

Questionnaires Used in the Replication Study (Chinese Version)

# 品牌延伸问卷（一）

一九九四年一月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

## 第一部分

1、请对“丰田”汽车作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

2、请对“两面针”牙膏作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 第二部分

品牌延伸是指将某一著名品牌使用到与原来产品不同的产品上，比如将“海尔”使用到计算机上，将“娃哈哈”使用到矿泉水上就是采用的品牌延伸策略。下面的问题均与品牌延伸有关。

3、请在合适的方框里标明您购买下列产品的可能性：

①“丰田”衬衣： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

②“丰田”手表： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

③“丰田”随身听： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

④“两面针”口香糖： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

⑤ “两面针”牙粉： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

⑥ “两面针”巧克力：极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

#### 4、请对下列产品的预期质量作出评价：

① “丰田”衬衣的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

② “丰田”手表的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③ “丰田”随身听的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

④ “两面针”口香糖的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “两面针”牙粉的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑥ “两面针”巧克力的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

#### 5、转移性

① “丰田”汽车的制造、销售技术对“丰田”衬衣的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

② “丰田”汽车的制造、销售技术对“丰田”手表的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

③ “丰田”汽车的制造、销售技术对“丰田”随身听的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

④ “两面针”牙膏的制造、销售技术对“两面针”口香糖的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑤ “两面针”牙膏的制造、销售技术对“两面针”牙粉的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑥ “两面针”牙膏的制造、销售技术对“两面针”巧克力的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

6、两两比较下列产品的互补性（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机和磁带的互补性很强，而钢笔和圆珠笔的互补性较弱）：

- ① “丰田”汽车与“丰田”衬衣：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ② “丰田”汽车与“丰田”手表：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ③ “丰田”汽车与“丰田”随身听：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ④ “两面针”牙膏与“两面针”口香糖： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ⑤ “两面针”牙膏与“两面针”牙粉：    极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ⑥ “两面针”牙膏与“两面针”巧克力： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强

7、两两比较下列产品的替代性（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱）：

- ① “丰田”汽车与“丰田”衬衣：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ② “丰田”汽车与“丰田”手表：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ③ “丰田”汽车与“丰田”随身听：      极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ④ “两面针”牙膏与“两面针”口香糖： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ⑤ “两面针”牙膏与“两面针”牙粉：    极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强
- ⑥ “两面针”牙膏与“两面针”巧克力： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极强

8、请对下列产品的生产、制造难度作出评价：

- ① 衬衣：      极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难
- ② 手表：      极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难
- ③ 随身听：    极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难
- ④ 口香糖：    极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难

⑤ 牙粉:      极为容易      

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难

⑥ 巧克力:      极为容易      

1	2	3	4	5	6	7
---	---	---	---	---	---	---

      极为困难

9、您的性别?

① 男                      ② 女

忠诚谢谢您的合作!

## 品牌延伸问卷（二）

一九九四年一月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

### 第一部分

1、请对“青岛”啤酒作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

2、请对“精工”手表作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

### 第二部分

品牌延伸是指将某一著名品牌使用到与原来产品不同的产品上，比如将“海尔”使用到计算机上，将“娃哈哈”使用到矿泉水上就是采用的品牌延伸策略。下面的问题均与品牌延伸有关。

3、请在合适的方框里标明您购买下列产品的可能性：

①“青岛”葡萄酒： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

②“青岛”矿泉水： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

③“青岛”爆玉米花： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

④“精工”太阳镜： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能



⑤ “精工”随身听： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

⑥ “精工”爆玉米花：极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

#### 4、请对下列产品的预期质量作出评价：

① “青岛”葡萄酒的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

② “青岛”矿泉水的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③ “青岛”爆玉米花的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

④ “精工”太阳镜的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “精工”随身听的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑥ “精工”爆玉米花的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

#### 5、转移性

① “青岛”啤酒的制造、销售技术对“青岛”葡萄酒的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

② “青岛”啤酒的制造、销售技术对“青岛”矿泉水的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

③ “青岛”啤酒的制造、销售技术对“青岛”爆玉米花的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

④ “精工”手表的制造、销售技术对“精工”太阳镜的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑤ “精工”手表的制造、销售技术对“精工”随身听的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑥ “精工”手表的制造、销售技术对“精工”爆玉米花的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

6、两两比较下列产品的互补性（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机和磁带的互补性很强，而钢笔和圆珠笔的互补性较弱）：

① “青岛”啤酒与“青岛”葡萄酒： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

② “青岛”啤酒与“青岛”矿泉水： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

③ “青岛”啤酒与“青岛”爆玉米花： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

④ “精工”手表与“精工”太阳镜： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

⑤ “精工”手表与“精工”随身听： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

⑥ “精工”手表与“精工”爆玉米花： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

7、两两比较下列产品的替代性（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱）：

① “青岛”啤酒与“青岛”葡萄酒： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

② “青岛”啤酒与“青岛”矿泉水： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

③ “青岛”啤酒与“青岛”爆玉米花： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

④ “精工”手表与“精工”太阳镜： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

⑤ “精工”手表与“精工”随身听： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

⑥ “精工”手表与“精工”爆玉米花： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

8、请对下列产品的生产、制造难度作出评价：

① 葡萄酒： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

② 矿泉水： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

③ 爆玉米花： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

④ 太阳镜： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

⑤ 随身听： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

9、您的性别？

① 男

② 女

忠诚谢谢您的合作！

## 品牌延伸问卷（三）

一九九四年一月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

### 第一部分

1、请对“海飞丝”香波作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

2、请对“健力宝”汽水作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

### 第二部分

品牌延伸是指将某一著名品牌使用到与原来产品不同的产品上，比如将“海尔”使用到计算机上，将“娃哈哈”使用到矿泉水上就是采用的品牌延伸策略。下面的问题均与品牌延伸有关。

3、请在合适的方框里标明您购买下列产品的可能性：

①“海飞丝”润肤霜：极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

②“海飞丝”香水： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

③“海飞丝”运动服：极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

④“健力宝”矿泉水：极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

⑤ “健力宝” 饼干： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

⑥ “健力宝” 糖果： 极不可能 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其可能

#### 4、请对下列产品的预期质量作出评价：

① “海飞丝” 润肤霜的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

② “海飞丝” 香水的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③ “海飞丝” 运动服的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

④ “健力宝” 矿泉水的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “健力宝” 饼干的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑥ “健力宝” 糖果的质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

#### 5、转移性

① “海飞丝” 香波的制造、销售技术对 “海飞丝” 润肤霜的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

② “海飞丝” 香波的制造、销售技术对 “海飞丝” 香水的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

③ “海飞丝” 香波的制造、销售技术对 “海飞丝” 运动服的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

④ “健力宝” 汽水的制造、销售技术对 “健力宝” 矿泉水的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑤ “健力宝” 汽水的制造、销售技术对 “健力宝” 饼干的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑥ “健力宝” 汽水的制造、销售技术对 “健力宝” 糖果的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

6、两两比较下列产品的互补性（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机和磁带的互补性很强，而钢笔和圆珠笔的互补性较弱）：

- ① “海飞丝”香波与“海飞丝”润肤霜：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ② “海飞丝”香波与“海飞丝”香水：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ③ “海飞丝”香波与“海飞丝”运动服：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ④ “健力宝”汽水与“健力宝”矿泉水：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ⑤ “健力宝”汽水与“健力宝”饼干：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ⑥ “健力宝”汽水与“健力宝”糖果：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

7、两两比较下列产品的替代性（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱）：

- ① “海飞丝”香波与“海飞丝”润肤霜：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ② “海飞丝”香波与“海飞丝”香水：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ③ “海飞丝”香波与“海飞丝”运动服：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ④ “健力宝”汽水与“健力宝”矿泉水：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ⑤ “健力宝”汽水与“健力宝”饼干：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强
- ⑥ “健力宝”汽水与“健力宝”糖果：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极强

8、请对下列产品的生产、制造难度作出评价：

- ① 润肤霜：极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难
- ② 香水：极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难
- ③ 运动服：极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

④ 矿泉水： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

⑤ 饼干： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

⑥ 糖果： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

9、您的性别？

① 男                      ② 女

忠诚谢谢您的合作！

## **Appendix Five**

### **Measurement Pre-test Questionnaire (Chinese Version)**



# 量 度 预 试

一九九八年九月

本问卷中的产品目前尚未在市场销售，面市之前想征求您的意见。您的真实回答，对我们所作的研究至关重要。

1、您对“健力宝”矿泉水的喜爱程度（请在合适的方框里打√）：

一点不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

2、您对“精工”随身听的喜爱程度：

一点不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

3、您对“两面针”口香糖的喜爱程度：

一点不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

4、“健力宝”矿泉水的预期质量如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

5、“精工”随身听的预期质量如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

6、“两面针”口香糖的预期质量如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

7、您的性别？

①男

②女

忠诚谢谢您的合作！

## **Appendix Six**

Questionnaires Used in the Extended Study (Chinese Version)

# 消费者对品牌延伸的评价（问卷一）

一九九八年九月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

## 第一部分

### 1、请对“丰田”汽车作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

### 2、请对“两面针”牙膏作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 第二部分

“丰田”汽车制造公司准备推出衬衣、手表、随身听三种新产品，并在这些产品上使用“丰田”品牌。请您对这些产品作出评价：

### 3、“丰田”衬衣

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“丰田”衬衣所产生的联想与“丰田”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“丰田”衬衣与“丰田”汽车的互补性如何？（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机和磁带

的互补性很强，而钢笔和圆珠笔的互补性较弱)：

极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “丰田”衬衣与“丰田”汽车的替代性如何？（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱)：

极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

#### 4、“丰田”手表

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③ “丰田”手表所激发的联想是否与“丰田”形像相一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④ “丰田”手表与“丰田”汽车的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “丰田”手表与“丰田”汽车的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

#### 5、“丰田”随身听

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③ “丰田”随身听所激发的联想是否与“丰田”形像相一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④ “丰田”随身听与“丰田”汽车的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “丰田”随身听与“丰田”汽车的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

广西“两面针”牙膏厂准备推出口香糖、牙粉、巧克力三种新产品，并在这些产品上使用“两面针”品牌。请您对这些产品作出评价：

## 6、“两面针”口香糖

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“两面针”口香糖所激起的联想是否与“两面针”品牌形象相一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“两面针”口香糖与“两面针”牙膏的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤“两面针”口香糖与“两面针”牙膏的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 7、“两面针”牙粉

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“两面针”牙粉所激起的联想是否与“两面针”品牌形象相一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“两面针”牙粉与“两面针”牙膏的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤“两面针”牙粉与“两面针”牙膏的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 8、“两面针”巧克力

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“两面针”巧克力所激起的联想是否与“两面针”品牌形象相一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“两面针”巧克力与“两面针”牙膏的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “两面针” 巧克力与 “两面针” 牙膏的替代性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

### 第三部分

9、请对下列产品的生产、制造难度作出评价：

① 衬衣： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

② 手表： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

③ 随身听： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

④ 口香糖： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

⑤ 牙粉： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

⑥ 巧克力： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为困难

### 10、转移性

① 汽车的生产、销售技术对衬衣的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

② 汽车的生产、销售技术对手表的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

③ 汽车的生产、销售技术对随身听的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

④ 牙膏的生产、销售技术对口香糖的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑤ 牙膏的生产、销售技术对牙粉的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑥ 牙膏的生产、销售技术对巧克力的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

## 11、竞争品牌的影响力

①衬衣市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

②手表市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

③随身听市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

④口香糖市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

⑤牙粉市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

⑥巧克力市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

## 12、对竞争品牌的评价

①衬衣市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

②手表市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

③随身听市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

④口香糖市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

⑤牙粉市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

⑥巧克力市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

13、您的性别？

① 男

② 女

忠诚谢谢您的合作！



## 消费者对品牌延伸的评价（问卷二）

一九九八年九月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

### 第一部分

1、请对“青岛”啤酒作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

2、请对“精工”手表作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

### 第二部分

“青岛”啤酒酿造公司准备推出葡萄酒、矿泉水、爆玉米花三种新产品，并在这些产品上使用“青岛”品牌。请您对这些产品作出评价：

3、“青岛”葡萄酒

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“青岛”葡萄酒所激起的联想与“青岛”啤酒形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“青岛”葡萄酒与“青岛”啤酒的互补性如何？（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机和磁

带的互补性很强，而钢笔和圆珠笔的互补性较弱)：

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤ “青岛”葡萄酒与“青岛”啤酒的替代性如何？（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱)：

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

#### 4、“青岛”矿泉水

①喜爱程度：一点不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为喜欢

②预期质量：极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

③ “青岛”矿泉水所激起的联想是否与“青岛”啤酒形像相一致？

极不一致

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为一致

④ “青岛”矿泉水与“青岛”啤酒的互补性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤ “青岛”矿泉水与“青岛”啤酒的替代性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

#### 5、“青岛”爆玉米花

①喜爱程度：一点不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为喜欢

②预期质量：极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

③ “青岛”爆玉米花所激发的联想与“青岛”啤酒形像是否一致？

极不一致

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为一致

④ “青岛”爆玉米花与“青岛”啤酒的互补性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤ “青岛”爆玉米花与“青岛”啤酒的替代性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

## 6、“精工”太阳镜

①喜爱程度：一点不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“精工”太阳镜所激起的联想与“精工”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“精工”太阳镜与“精工”手表的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤“精工”太阳镜与“精工”手表的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 7、“精工”随身听

①喜爱程度：一点不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“精工”随身听所激起的联想与“精工”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“精工”随身听与“精工”手表的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤“精工”随身听与“精工”手表的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 8、“精工”爆玉米花

①喜爱程度：一点不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“精工”爆玉米花所激起的联想与“精工”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④ “精工” 爆玉米花与 “精工” 手表的互补性如何？  
 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

⑤ “精工” 爆玉米花与 “精工” 手表的替代性如何？  
 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

### 第三部分

#### 9、请对下列产品的生产、制造难度作出评价：

① 葡萄酒： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

② 矿泉水： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

③ 爆玉米花： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

④ 太阳镜： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

⑤ 随身听： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

#### 10、转移性

① 啤酒的制造、销售技术对葡萄酒的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

② 啤酒的制造、销售技术对矿泉水的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

③ 啤酒的制造、销售技术对爆玉米花的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

④ 手表的制造、销售技术对太阳镜的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑤ 手表的制造、销售技术对随身听的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

⑥ 手表的制造、销售技术对爆玉米花的生产、销售：  
 毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

## 11、竞争品牌的影响力

① 葡萄酒市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

② 矿泉水市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

③ 爆玉米花市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

④ 太阳镜市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

⑤ 随身听市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

## 12、对竞争品牌的评价

① 葡萄酒市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

② 矿泉水市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

③ 爆玉米花市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

④ 太阳镜市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

⑤ 随身听市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

## 13、您的性别？

① 男

② 女

忠诚谢谢您的合作！

# 消费者对品牌延伸的评价（问卷三）

一九九八年九月

本项目旨在了解您作为一名消费者对不同产品和品牌的偏好。您的支持与协作对保证本研究项目的质量至关重要。

## 第一部分

1、请对“海飞丝”香波作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

2、请对“健力宝”汽水作出评价（在合适的方框里打√）

①熟悉程度：未听说过 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 非常熟悉

②质量： 极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 第二部分

生产“海飞丝”香波的宝洁公司准备推出润肤霜、香水、运动服三种新产品，并在这些产品上使用“海飞丝”这一品牌。请您对这些产品作出评价：

3、“海飞丝”润肤霜

①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢

②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

③“海飞丝”润肤霜所激起的联想与“海飞丝”香波形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致

④“海飞丝”润肤霜与“海飞丝”香波的互补性如何？（互补性是指两种产品同时被使用、消费和共同满足同一需要的可能性。比如，钢笔和墨水；录音机

和磁带的互补性很强，而钢笔和圆珠笔的互补性较弱)：

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤“海飞丝”润肤霜与“海飞丝”香波的替代性如何？（替代性是指一种产品的使用、消费替代另一种产品使用、消费的可能性。比如，钢笔和圆珠笔的替代性较强，而钢笔和墨水的替代性较弱)：

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

#### 4、“海飞丝”香水

①喜爱程度：极不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

②预期质量：极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

③“海飞丝”香水所激起的联想与“海飞丝”品牌形象是否一致？

极不一致

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为一致

④“海飞丝”香水与“海飞丝”香波的互补性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤“海飞丝”香水与“海飞丝”香波的替代性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

#### 5、“海飞丝”运动服

①喜爱程度：极不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

②预期质量：极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

③“海飞丝”运动服所激发的联想与“海飞丝”品牌形象是否一致？

极不一致

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极为一致

④“海飞丝”运动服与“海飞丝”香波的互补性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

⑤“海飞丝”运动服与“海飞丝”香波的替代性如何？

极低

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极高

#### 6、“健力宝”矿泉水

①喜爱程度：极不喜欢

1	2	3	4	5	6	7
---	---	---	---	---	---	---

极其喜欢

- ②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ③“健力宝”矿泉水所激起的联想与“健力宝”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致
- ④“健力宝”矿泉水与“健力宝”汽水的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ⑤“健力宝”矿泉水与“健力宝”汽水的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 7、“健力宝”饼干

- ①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢
- ②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ③“健力宝”饼干所激起的联想与“健力宝”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致
- ④“健力宝”饼干与“健力宝”汽水的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ⑤“健力宝”饼干与“健力宝”汽水的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高

## 8、“健力宝”糖果

- ①喜爱程度：极不喜欢 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其喜欢
- ②预期质量：极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ③“健力宝”糖果所激起的联想与“健力宝”形像是否一致？  
极不一致 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为一致
- ④“健力宝”糖果与“健力宝”饼干的互补性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高
- ⑤“健力宝”糖果与“健力宝”汽水的替代性如何？  
极低 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极高



### 第三部分

#### 9、请对下列产品的生产、制造难度作出评价：

- ① 润肤霜： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难
- ② 香水： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难
- ③ 运动服： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难
- ④ 矿泉水： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难
- ⑤ 饼干： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难
- ⑥ 糖果： 极为容易 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极其困难

#### 10、转移性

- ① 香波的制造、销售技术对润肤霜的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益
- ② 香波的制造、销售技术对香水的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益
- ③ 香波的制造、销售技术对运动服的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益
- ④ 汽水的制造、销售技术对矿泉水的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益
- ⑤ 汽水的制造、销售技术对饼干的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益
- ⑥ 汽水的制造、销售技术对糖果的生产、销售：  
毫无助益 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 极为有益

#### 11、竞争品牌的影响力

- ① 润肤霜市场主要由少数几个品牌所支配  
一点不同意 

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 完全同意

② 香水市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

③ 运动服市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

④ 矿泉水市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

⑤ 饼干市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

⑥ 糖果市场主要由少数几个品牌所支配

一点不同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

完全同意

## 12、对竞争品牌的评价

① 润肤霜市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

② 香水市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

③ 运动服市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

④ 矿泉水市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

⑤ 饼干市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

⑥ 糖果市场上现有品牌中，很少有我特别喜欢的品牌

完全同意

1	2	3	4	5	6	7
---	---	---	---	---	---	---

一点不同意

## 13、您的性别?

① 男

② 女

忠诚谢谢您的合作!